The China Weekly

REVIEW

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A Weekly Newspaper Established in 1917

June 17, 1939

Japan's War is Deadlocked

AN EDITORIAL

Shanghai Exchange Crisis

BY JOHN AHLERS

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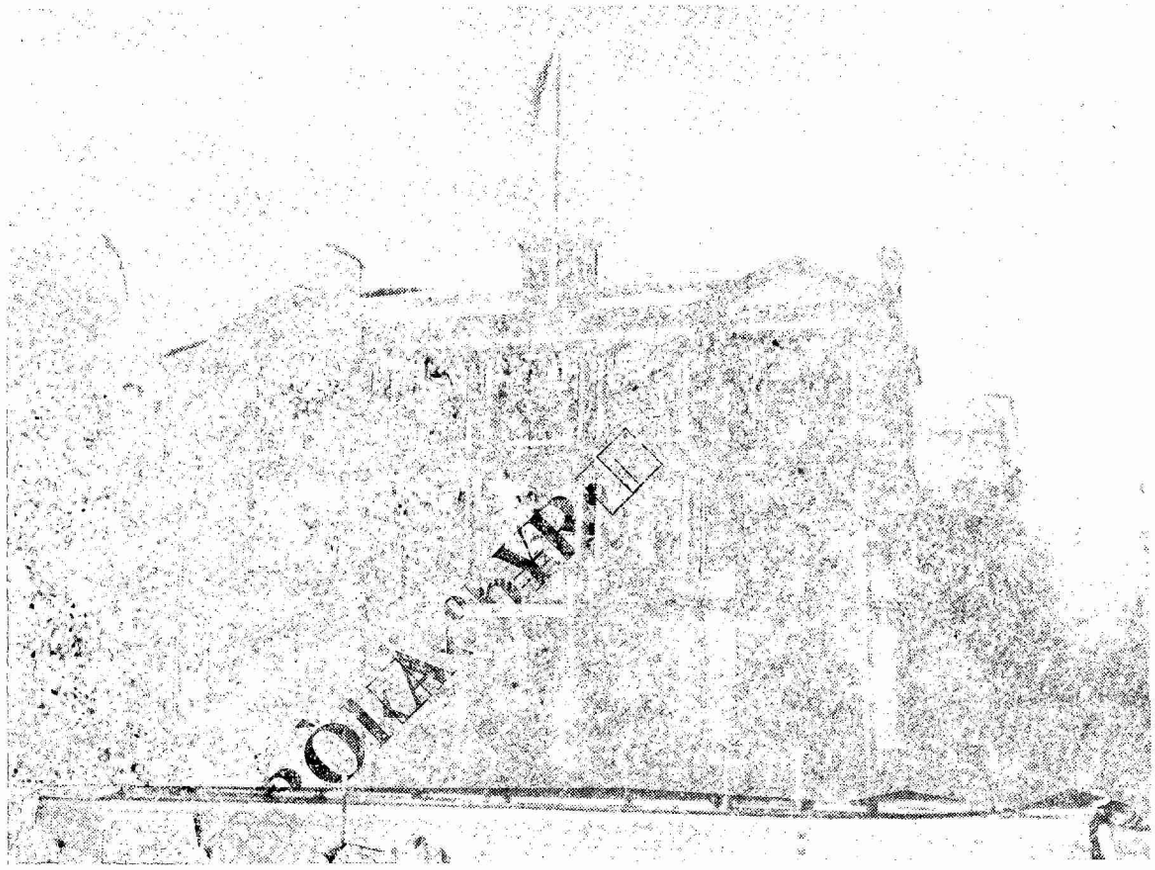

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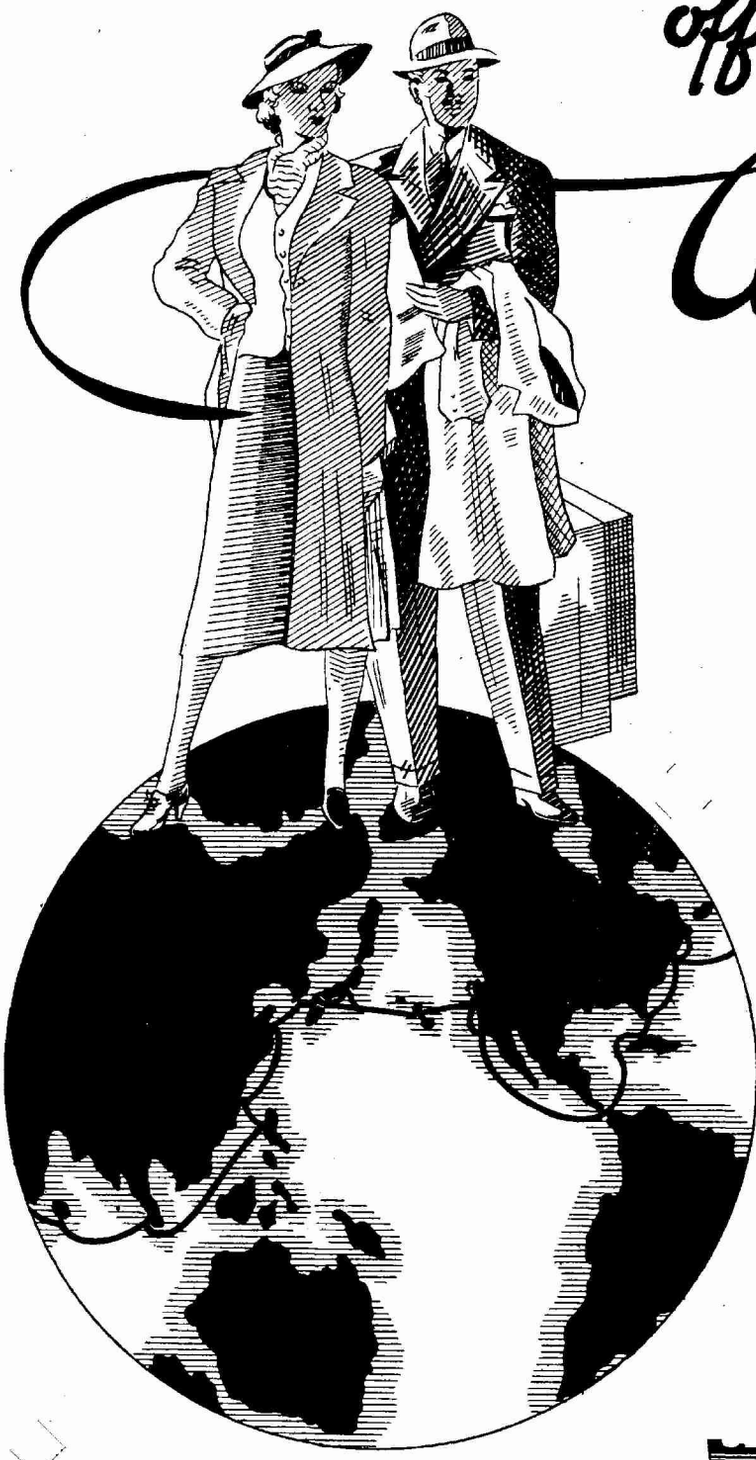

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What People Are Saying

Comments from Readers on Current Topics are cordially invited; their opinions, however, do not necessarily represent the views of the *China Weekly Review*.

N.Z. "CURTAILMENT"

To the Editor:

The latest action of the "Socialist" Government here is a drastic curtailment of imports. For six months a list of imports amounting to more than 600 different articles is absolutely prohibited. These include everything alcoholic, and when the list was published there were activities savoring of comic opera.

The idea seemed to be prevalent that no more booze was forthcoming, and there was a regular run-on-the-bank descent on every liquor store and "pub" to stock up, until it was discovered that there was enough stuff in stock in New Zealand to carry on with for years. Amazing how much the New Zealanders and Australians drink! You can hardly get away from the conclusion that prohibition would be a good thing here, as so much of the general wage is spent for liquor.

M. T. G.

Auckland, N. Z.
April 25, 1939.

NEW YORK VIEW

To the Editor:

New Yorkers interested in the Far East are watching eagerly to see what happens on Japan's Shanghai demands. I am hoping there will be no concessions and if local Shanghai authorities keep their heads there will be no yielding at this end. I am more afraid of local compromise than of compromise from Washington and London.

From the Far Eastern point of view, one unfortunate fact is that at present there is relatively little interest here in the Far East. Naturally both governmental and popular attention is centered on Europe. That is the more immediate danger, and there lie the greatest potentialities of consequence for America just for the moment. It would be difficult to arouse the American people for affirmative action with reference to Japan now.

The feeling against European fascist nations is much stronger. What Japan does, seems remote in its influence compared to what would happen if there should be a European war and if the Germans should be victorious. I should suspect that we shall let the Far East ride for a few months until we see what happens in Europe.

While isolationism is markedly less than it was, it would be hard to get embargo legislation through. Any embargo would crush local industries and thus arouse too much opposition. If there were international embargoes we might join, but independent action, I should say, is unlikely. However, I think there will be more aid for China. There is a feeling that we can intervene more decisively by helping China than by shutting off supplies to Japan.

N. P.

New York City,
May 5, 1939.

ATTITUDE OF BUSINESS

To the Editor:

Your issue of last week had a letter from Dr. James A. B. Scherer of San Francisco stating that while 99 per cent of the American people demand that the United States cease selling war materials to Japan, a powerful one per cent, consisting chiefly of the chambers of commerce on the coast are working for a continuance of business with Japan, including the munitions and what not.

One wonders about the attitude of the leading business interests here. Some weeks ago foreign commercial bodies were sending strong telegrams and resolutions to Washington. New York papers were giving prominence to these statements and they were undoubtedly influencing public opinion.

Now that the situation has grown more critical, it appears that our businessmen have crawled into a hole. It seems to me that a strong declaration by our commercial organizations would help the situation in Washington tremendously. If the businessmen in Shanghai haven't sufficient moral courage to stand up for what they think is right, they may be sure that Washington will do nothing for them.

It would be interesting to know the reason for the present lack of activity. Is it possible that certain interests, directly or indirectly under Japanese influence, are responsible for hush-hush activities which may result in the sinking of the entire ship? If this is correct the whole rotten link-up of certain elements with the Japanese despoilers of Settlements and China should be exposed.

FACTS WANTED

Shanghai, June 13, 1939.

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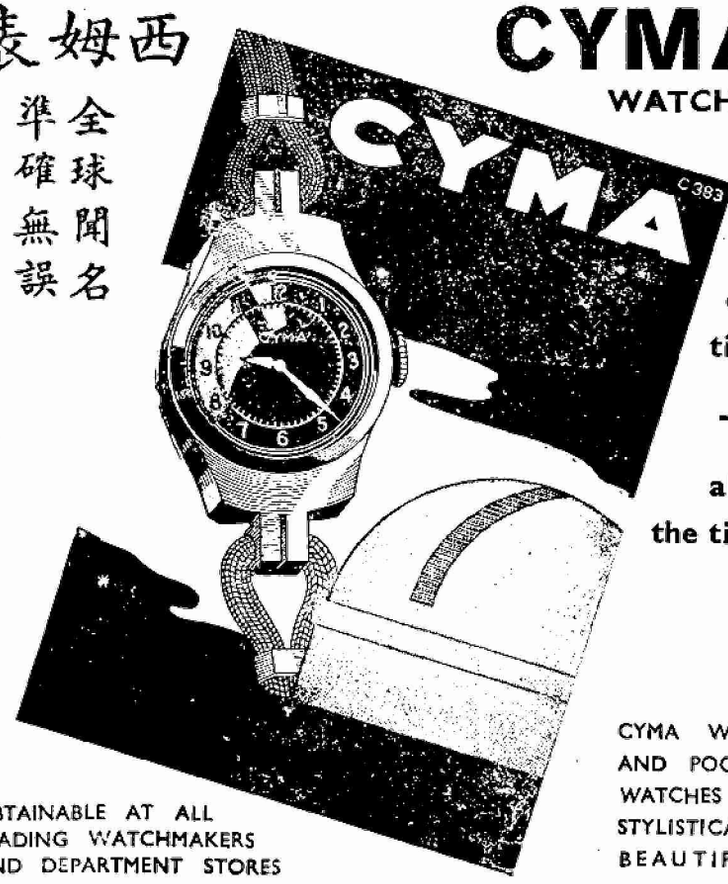

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Japan's War Reaches Deadlock—Claims the Foreigners Are Responsible!

NEITHER *deadlock* or *stalemate* accurately describes the present status of Japan's war in China. The word stalemate, derived from Chess, indicates a *draw* resulting from a player's having no move available. Deadlock usually refers to a stoppage of business or legislation resulting from refusal of the opposing parties to cooperate. China and Japan have both assured the world of their desire to "cooperate" but as yet their interpretations of the term are as far apart as the two poles.

Two words which strike one as more applicable to Japan's present situation are *futility* and *hopelessness*.

A recent development will illustrate: A foreigner asked a Japanese official why the Japanese did not "open up" the Nantao section. Nantao is an extensive area capable of housing tens of thousands of Chinese who are now spending a miserable existence as refugees in the foreign settlements. By permitting the Chinese to return to Nantao, reopen their shops and residences, a better feeling would be produced all around.

The Japanese official replied, "But we haven't sufficient troops here to police Nantao." The man appeared to be quite sincere. The foreigner then said, "But why not permit the Ta-Tao administration to assume responsibility for the policing of Nantao? The Japanese official replied, "But we dare not give them guns because they might turn against us!"

That indicates what we have in mind in suggesting the words *futility* and *hopelessness* as applicable to Japan's present situation with respect to bringing the war to an early conclusion. A well-known foreign official, when asked for his opinion on the probable duration of the war replied, "About 20 years." Many thought he was joking, but some regarded the reply as a shrewd forecast, based on Japan's rate of progress in accomplishing her objective. True, Japan holds the skeleton of a vast amount of territory, but actually she controls little, despite the fact that she has, by her own admission, a million men under arms south of the Great Wall. And another half million north of the Wall!

The weakest spot in Japan's position is not in her lack of finances, although that is of tremendous seriousness. Of far greater consequence is Japan's inability to give the Chinese people, even those within her far-extended lines, a new political ideology. "New Order in Asia!" We wish some bright Japanese would define that phrase in terms that would inspire confidence and understanding. An American asked an official of the Tokyo Foreign Office what Japan wanted the United States to do with regard to recognition of the "New Order in Asia." The Tokyo spokesman replied: (1) Recognize Japan's economic predominance; (2) recognize the political regimes that Japan has set up, including, of course, Manchukuo; (3) grant Japan 50 per cent control of the economic resources of the Philippines!

Such statements as this are responsible, not only for the skepticism regarding Japan's objectives which prevails over the world, but of more serious consequence is the distrust which they arouse among the Chinese, even those who, superficially at least, appear to be cooperating with the Japanese.

No one knows better than the Japanese themselves, that the withdrawal of Japanese military protection would be followed by a quick exodus of puppet officialdom. The Japanese want the foreigners to recognize the puppets, but the Japanese do not even recognize the puppets themselves. The foreigners might be disposed, particularly at Shanghai, to at least do business with Mayor Fu Siao-en's administration, but thus far the Japanese Army has refused to grant Mayor Fu any power. He is not master in his own household, to quote an old saying. This was indicated recently when Mayor Fu was unable to obtain from the Japanese military authorities a motor car pass for a foreign friend.

The Japanese demand the "return" of the foreign concessions. But we have seen no indication of any move on the part of Japan to return her concessions to China, not even to the puppet administrations which the Japanese profess to love so much.

Also, Japan demands that the foreigners give up their exterritorial privileges? But has Japan indicated her good faith by offering to surrender her "special rights". Only in Manchukuo which the Kwantung branch of the Imperial Army has converted into a near-colony.

Many serious-minded persons over the world sympathized with Japan's announced program of eliminating foreign restrictions on China's national sovereignty, but that sympathy turned to distrust and disgust when they discovered that Japan had no intention of giving up *her* restrictions on China. Japan wants the Occidentals to get out, not because of any altruistic regard for China, but in order that Japan may seize or fall heir to the foreigners' position and possessions.

That's what we mean when we say that Japan has failed to provide China with a political ideology. The westerners learned their lesson about Chinese nationalism in the squabbles and struggles which took place in the period between the end of the World War and the Washington Conference. The Washington Conference merely put the stamp of approval on what the foreigners had already learned. They were wise enough to recognize that nationalism, product of a half-century of modern education, had come to stay and nothing could stop it.

The foreigners also realized, shrewdly, that their trade would actually benefit from an independent, nationalist China.

But Japan, although acquiescing in the decisions at Washington in 1921-1922, did not believe in Chinese nationalism. The Japanese regarded themselves as "superior" to the Chinese because they had made more material progress than China had made since coming into contact with western civilization. The Japanese Army and official-business bureaucracy professed skepticism regarding China's progress and evinced distrust of China's modern educational development. The Japanese reactionaries, like the foreign "diehards" of 1926-1927, labeled the youth movements of the period as *communistic* —and they were to a considerable extent—but what the Japanese feared most was not communism, but democracy which was seeping into Japan on all sides. In 1931, prior to the Mukden "incident" which was perpetrated by the Japanese Army, there was serious talk in Japan of abolishing the system of having the Army and Navy represented in the Cabinet by line officers. There was a strong movement to make the military services subject to instead of superior to the civilian Cabinet and Emperor, but the warlords headed that off by starting an external war, favorite method of diverting attention away from domestic troubles throughout the ages.

Now, after eight years of almost continuous warfare, what have the Japanese to show for their prodigious military efforts. All of the stored-up wealth accumulated when the westerners were killing each other in the World War, has been dissipated, including a carefully accumulated and guarded gold reserve. Japan holds vast tracts of territory and millions of people within her lines, but she has no stores of financial resources for developing the territory which she holds by force alone. As for the people, they harbor only fear and hatred for their overlords and no Japanese dares even partake of a glass of wine placed before him by a Chinese servant!

The old Japanese (also Chinese) saying, "Riding the Tiger" fits Japan's present situation, but there is a more descriptive American saying about the man "who had a bear by the tail." The Japanese might well have become the leaders of Asia, but they have permitted their warlords to spoil everything by creating distrust on the part of all other Orientals. Everybody in Asia fears and distrusts Japan and where there is fear and distrust there can be no construction or reconstruction.

By dissipating their wealth and piling up a vast debt, the Japanese have destroyed their previous advantageous competitive position in selling their goods in foreign markets. High taxes will make it impossible for Japan to compete with other countries, particularly with the United States with its new, cheap water power development, now on the point of fruition. Of course, Japan might repudiate her 20,000,000,000 yen war debt by inflation and repudiation of the yen, but that would only have the effect of speeding up Japan's inevitable revolution. Recently there have been serious discussions in the Japanese newspapers about "moving the cotton mills to China." Why, one might ask? Are the Japanese cotton industrialists afraid of taxes or high-priced labor? Probably both. Laborers who receive 15 to 18 yen in munitions plants will not easily consent to work for Y.1.50 a day when the war boom is finished. The government tried to make them invest their high wages in bonds, but the prosperity of the geisha houses indicates that much of the money is going into other channels as it always does.

Japan's most serious problem, in fact it is so serious and stupendous a problem as to be of world concern, is what to do with her army of a million and a half men, after peace comes. It is said that Japan's leaders are more afraid of the coming of peace than they are of an indefinite continuance of the war. General Itagaki tried to reassure the Japanese people by telling them of his plan to make the Chinese pay for the upkeep of the Japanese Army—permanently stationed on the continent. He also told the Japanese people to keep up their present war tempo because Japan "would have to fight Russia immediately after she had finished with China." Pleasant prospect indeed for peace in Asia!

One wonders what might be done about it, even at this late date.

That Japan and China are both facing bankruptcy is indicated by the present currency crisis. But Japan's position is worse because of her lack of resources. Japan's position is hopeless without foreign finance but no banker can lend her a dollar under present circumstances.

For years Japanese propagandists charged the Chinese authorities, particularly the Changs in Manchuria, with currency inflation and manipulation. But experience has shown that the Chinese were neophytes in the art of prostituting a nation's currency. Old Marshal Chang Tso-lin used to print cheap paper money and use it to under-buy his Japanese competitors in the soya-bean market. But Japan has not only debauched the currency of China but is now engaged in debasing her own paper money, having already dissipated her gold reserves.

The Japanese have brought nothing constructive to the shores of Asia. They brought superior military equipment, but its value has now disappeared in the roadless interior where guerrilla warfare predominates. The bombing of undefended villages, with an occasional church, hospital or school thrown in for good measure, has only made the people more determined to resist the despoilers of their land. The futility of the Japanese Army's "mopping-up" expeditions and claimed "encirclement" of vast Chinese armies is belied by reports of renewed fighting in same territories a few weeks or months later.

Not since the Middle Ages has the world observed a war which was accompanied by the wholesale theft of private property, such as prevails in occupied zones of China today. Railways, manufacturing establishments, wholesale and retail establishments, privately owned or having foreign liens upon them, have been seized and the revenues diverted to the pockets of military overlords or used for paying the wages of the Japanese soldiers. Near Nanking is a factory upon which Germans hold a mortgage for 12,000,000 marks. The Japanese Army seized the factory, is said to be operating it and will not even permit the Germans to inspect their own machinery upon which they have received no payments since the war started. Customs funds belonging to the Chinese people or foreign bondholders, have been seized and diverted to the private use of Japanese warlords. Little wonder that most Chinese regard the "new order in Asia," as only another Japanese piratical expedition

Japan's present campaign against the foreigners in China would be ridiculous were it not for the fact that it possesses elements likely to lead to tragedy. The attack on the Britons and other foreigners constitutes the best evidence of Japan's failure in accomplishing her objective, the best proof that her grandiose campaign has bogged down and that the consequences must be faced. Japanese warlords, frustrated in their attempt to subjugate and exploit the Chinese people, are now trying to "take it out" on the foreigners. Perhaps the Japanese military leaders think that a major row with the foreigners might enable them to recover some of the face which they have lost as a result of the failure to accomplish their objective on the Continent.

89-080

Shanghai Exchange Crisis—Elements Involved and Future Possibilities

BY JOHN AHLERS

IT was largely due to recent developments in Shanghai that the directors of the Anglo-Chinese Stabilization Fund, during the second week of June, readjusted foreign exchange rates for Chinese national currency. For months the Fund had been spending the bulk of its means on Shanghai. In April and May alone, Shanghai was said to have absorbed over £4,000,000 sold out of the Hongkong Fund.

Of course, the Fund, when exhausted, is likely to be replaced, with British banks again cooperating with the Chinese government banks. Allegations that the Chinese banks had contributed the remainder of their currency reserves to the Fund, as reported in Japanese papers, were at variance with facts. Chinese government banks are holding reserves many times the amount in foreign exchange which they allotted to the Fund. Also the British banks are prepared to step in again.

However, the Anglo-Chinese Joint Committee managing the Fund felt that it was unable to assume responsibility for continuously spending on Shanghai such large amounts of foreign exchange as have been devoured here of late months. After all, Shanghai is behind the Japanese lines, and the Chinese National Government is not in a position to make use of Shanghai corresponding in proportion to the enormous exchange expenditure on behalf of Shanghai. The Committee therefore unanimously decided to take steps to reduce that expenditure. The Committee had three alternatives: to discontinue exchange allotments to Shanghai altogether; to allot exchange to Shanghai only on certain specified imports on the basis of full documentation of every application for exchange; or to lower the exchange rates.

The Committee, for the time being, decided to take the last mentioned course, because it was the easiest to follow, because it would hurt least all legitimate interests concerned, and because it would encourage Chinese export activities in general. If developments in the near future tend to show that the readjustment of the exchange rates has failed to decrease substantially Shanghai's imports surplus, and that the city will forward demands for exchange to the former extent without producing more exchange, the Fund will, as a matter of course, have to take further steps. The exchange rates either will be decreased again, or allotments of exchange will be restricted to certain imports and to certain firms only, while excluding others from access to the Fund's reserves.

The Hongkong Fund is firmly decided to give a fair chance to the new minimum rates of 6½*d.* and 12 5/8*c.* It will sell exchange at these rates. It is up to Shanghai, and to the banks and import-export firms in particular, to encourage the Fund in abiding by these rates. The Fund must meet with more local cooperation than has been forthcoming in the past, if the new rates are to last. Speculative purchases of exchange must be definitely discouraged. Exchange must be acquired for genuine commercial purposes only. No western business man in this city should provide a screen for transactions with, or on behalf of, the Japanese.

The large extent to which, in the recent past, the Japanese managed to take advantage of the Fund's exchange allotments to Shanghai was definitely discouraging the Fund and the Chinese National Government from continuing exchange intervention in Shanghai on the old baiss. Many import transactions financed out of the Fund were actually done on behalf of the Japanese.

Take cotton imports, for example. These imports reached an unprecedented quantity in Shanghai, and of late frequently constituted one-fourth of total monthly import values here. These cotton imports are large because the Japanese have devastated the hinterland and seized most of the reduced cotton crops still available in Central China for shipment to Japan. The bulk of the foreign raw cotton recently imported here, in addition, was imported for consumption in the local Japanese cotton mills. In April and May, these mills absorbed no less than 75 per cent of all the local cotton imports.

There are a series of other Shanghai imports from abroad which were financed out of the Hongkong Fund although they actually constituted supplies assisting the Japanese in their warfare against China. Certain foreign fuel and lubricating oils, imported at Shanghai and paid for with exchange secured here, are absolutely indispensable for operations in China of the motorized units of the Japanese Army and the Nipponese air force. It was obvious that Chungking could not be persuaded to allow foreign exchange for such imports.

Besides, the Japanese made use of Shanghai to acquire foreign exchange from Chinese reserves without any corresponding commercial transactions. The circulation of Japanese yen, of Nipponese "military notes," and of various bogus currencies issued on behalf of the made-in-Japan puppet regimes constantly provided the Japanese with amounts of Chinese national currency which in Shanghai were used for puchases of exchange. Japan's notoriously severe shortage in foreign exchange is prominent among those phenomena which encourage China to hope for Japan's final economic and financial exhaustion in war, was relieved to an increasing extent, through Nipponese manipulations in the Shanghai exchange market. It is not to be wondered at that the Chinese finally decided to take measures calculated to make impossible the continuance of such abuses at Shanghai.

The recent formation of the Hua Hsing Commercial Bank, and the circulation of Hua Hsing notes here and in the hinterland was but another Japanese "racket" deliberately devised to acquire foreign exchange at the expense of Chinese currency reserves. Through the circulation of its new notes, the Hua Hsing Bank expected to obtain, directly or indirectly, Chinese national currency with which to purchase foreign exchange. Also, the bank's capital of $50,000,000 was destined to be gradually converted into foreign exchange. This capital was paid up, to a large extent, in Chinese national currency and apparently had not yet been converted when the Hongkong Fund on June 7 surprised Shanghai, and the Hua Hsing Bank got caught. As expressed in foreign exchange, this capital now is worth £400,000 less than it was only a week ago. No wonder Hongkew was greatly perturbed at the surprise move.

There will be still more disagreeable surprises in store for Hongkew if the abuse of the local exchange market by the Japanese should continue and westerners should decline to help in stopping that abuse. Unfortunately, such surprises would be liable to hit, to a certain extent, western business interests here as well. It is strongly in the interest of the Shanghai American and European business communities to more closely cooperate with the Chinese and at the same time preserve

a healthy distance from the Japanese. Nobody can have it both ways, and get away with it.

The readjustment of foreign exchange rates for Chinese national currency certainly provided good fortune for a great many Shanghai exporters. Since export firms are chiefly working with bank credits and have settled in advance exchange for transactions under contract, of course, they will not benefit at once from the new level of exchange rates. As far as foreign exchange forthcoming from exports has not been sold forward, however, and as regards new export transactions, at the present moment and in the near future, exporters will substantially profit from the new rates. They amount to, and have been meant as, a great encouragement to export business in general.

Prices of Chinese produce naturally increased upon the lowering of the exchange rates, but not to an extent equalling the exporters' gain on exchange. The new rates of 6½*d.* for T.T. on London, and of 12 5/8 *c.* for T.T. on New York, respectively, at which the Hongkong Stabilization Fund indicates that it will sell exchange, are about 21 per cent lower than the rates which prevailed for almost one year up to June 6. This 21 per cent decrease in foreign exchange rates means a 26 per cent increase in the amount of Chinese national currency now obtainable for foreign exchange. So the exporters' advantage is substantial, and ought to give a strong impetus to export business.

Importers, on the other hand, will have to sell goods imported under the new exchange rates about 20 per cent higher than before. The cost of imported goods, it is true, will be 26 per cent higher, but neither customs duties nor local transport and operation expenses experienced a corresponding increase. Thus, importers are likely to harvest even larger profits than heretofore when raising their prices by 20 per cent. Price increases by 30 per cent or more, which in some instances have been noticed in Shanghai, are not justified, except in a very few exceptional cases.

Most of the stock on hand of import goods has been paid for in exchange obtained at the former rates, and the bulk of the imports to be expected during the next six to eight weeks has also secured settlement of exchange at the rates which were current before June 7. This applies, in particular, to most of the orders outstanding in Shanghai for almost 200,000 bales of raw cotton from India, the United States and Brazil. A series of importers, however, appear to have neglected timely settlement of exchange, and to have been caught badly. In the local Japanese business community, in particular, cases of such short-sightedness appear to have been comparatively more frequent.

With prices of imported goods rising, and the total level of living costs rapidly increasing in Shanghai,while all employers appear to be extremely reluctant to adjust also salaries and wages to the new exchange level, Shanghai's consumption of foreign goods is likely to decline. Imports down and exports up is, as a matter of course, the development desirable from the point of view of the Hongkong Stabilization Fund. Whether or not the new export impetus will provide Shanghai's industries with new or enlarged markets abroad, and thus in turn may require the maintenance at least of local imports of foreign raw materials, and what would be the reaction of the Fund, remains to be seen.

Hutchins of Yale-in-China Made President of Berea

FRANCIS Stephenson Hutchins, 37, head of Yale-in-China College and Medical Center of Changsha, Hunan, has been elected president of Berea College, Kentucky, according to a report in *Newsweek* (May 22). The trustees of Berea, which is a nationally-known school where the students earn their keep, cabled Prof. Hutchins several times before he agreed to accept the offer.

Prof. Hutchins was in Shanghai a few weeks ago to obtain funds and medical supplies for relief of Chinese civilians driven from their homes in central China by the Japanese occupation of Hankow and surrounding area.

Prof. Francis Stephenson Hutchins is the third member of his family to become a college president as he is a brother of Dr. Robert M. Hutchins, president of the University of Chicago, who, when elected at the age of 30 was the youngest college president in the United States. The father of Robert M. and Francis Stephenson, William J. Hutchins, although not so well known, has been president of Berea College since 1920. As he is 68, he expressed a desire to retire. Since the trustees could not find a suitable successor, they refused his resignation—until someone thought of the son in China. A third member of this famous family, William J. Hutchins, Jr., also an educator, is a professor at Western Reserve Academy, Hudson, Ohio.

HITLER INVOKES LAW TO PROTECT HIS FAVORITE BOOK IN U.S.A.

CHANCELLOR Adolf Hitler, scowling strong man of the Third Reich, doesn't like his one and only literary product—and none too literary at that—pirated abroad. Last week his representative in the United States got a Federal Court injunction to restrain the New York publishing house of Stackpole and Sons from bringing out an "unauthorized version" of his famous book *Mein Kampf*.

It is to be doubted whether he could get a similar injunction against the Star Book Company of 337 Szechuen Road, Shanghai, one of innumerable Chinese bookstores which specialise in the sale of pirated versions of books published abroad. This firm has been advertising "The Complete Unauthorized *Mein Kampf*" at the fair price of $4.50, Chinese currency. Here is what the advertising blurb says:

"For thirteen years Adolf Hitler has prevented publication of an uncensored, unabridged edition of *Mein Kampf* outside Germany, in English. With the appearance of this volume, Hitler's censorship ends and the work which Dorothy Thompson calls 'Hitler's blueprint of world conquest' is at last available to readers everywhere."

Mixed motives probably actuated the Fuehrer in seeking the injunction in the United States. First, there is undoubtedly the political angle. *Mein Kampf* was written before Hitler came to power, and while its full contents are deemed suitable for readers in Germany, some passages might prove a source of embarrassment abroad, where the Fuehrer likes to be considered a devotee of world peace despite his frequent displays of verbal pyrotechnics. Secondly, there is the monetary angle. Hitler has derived a handsome fortune from foisting copies of *Mein Kampf* on helpless Germans. Doubtless he does not like to pass up royalties on translations made abroad..

In the opinion supporting the grant of the injunction, the Federal Court denied the contention of the publishing firm that Hitler was not entitled to copyright protection in the United States because at the time the book first appeared he was without nationality (Hitler is an Austrian and Austria as a state had been absorbed by Hitler's Reich). If this argument were upheld, the court said, emigres in the United States who are without nationality would automatically be deprived of copyright protection.

Catholic Fathers Protest Sale of Bricks from Church Houses

French Catholic Fathers made a strong protest on Thursday, June 8 to the Japanese military and Japanese-supported Chinese administration in the Tung Ko Doo district of Nantao over the theft and sale of bricks from property of the Church in that area. There were several hundred houses in that area, owned by the Church, which were destroyed by Japanese air-bombing and artillery fire. Other houses are still intact, but the owners have not been able to obtain possession of their property. For some time the Japanese-supported Chinese administration at South Gate, Nantao, has been engaged in selling the bricks from the Catholic property and, according to report, pocketing the money. The officials of the mission have reported that the tearing down and sale of bricks from property, damaged and otherwise, has been going on for several weeks, much of the property being owned by Chinese who were forced to flee into the Settlement for safety. Finally an official of the Catholic Mission went to the place and threatened to make an official complaint unless the theft of bricks was stopped. On Tuesday of last week the Nantao police employed workers to remove bricks and other building materials "which were being disposed of to their own advantage."

Britain Makes Cautious Overtures to Germany as Anglo-Soviet Negotiations Bog Down

WITH the Anglo-Soviet negotiations for a triple alliance embracing Britain, France and the Soviet Union apparently hopelessly bogged in the mire of unbridgeable differences, a new turn in the international situation, characterized by a return on the part of Britain to the discarded policy of "appeasement," now appears to be a distinct possibility. Whereas Britain and Germany have been competing for the hand of Stalin, Chamberlain and Stalin are now tentatively bidding against each other for the hand of Hitler. The German courtship of the Kremlin was not, of course, as positive and declamatory as the British. Hitler was concerned with preventing Chamberlain from going to the political altar with Stalin rather than with seeking a political bedfellowship with the Kremlin dictator himself.

Conciliatory words directed toward Germany by Premier Chamberlain and Lord Halifax, spoken in the House of Commons on June 8, originated the talk of a return to the policy of "appeasement." The British Conservative press immediately took the cue, even going so far as to declare that Britain was now ready to negotiate with Berlin on Germany's claims. "A Great Appeasement Offiensive" was how the *Daily Mail* characterized the speeches of the Prime Minister and his Foreign Secretary.

More significant, perhaps, was the comment of the *Times*, which usually reflects the Government view. Britain and France did not by any means contemplate obstructing the normal and natural expansion of German trade and German influence, the paper asserted. But—the independence of the small European nations must not be destroyed in the course of this expansion. The *Times* repudiated the charge that Britain was trying to "encircle" Germany and said that if the speeches of Chamberlain and Halifax were answered in equally moderate form there would be real hope for rapprochement. Britain did not prefer war to a solution by conference, but it was essential that both sides should display willingness to make concessions.

The cautious British overtures do not appear to have made the anticipated impression in Berlin.

The Nazi organ, *Voelkischer Boebachter*, discerned in the British ministerial speeches, not a genuine change of British policy, but a tactical move considered opportune and expedient in view of the non-success attendant upon the Anglo-Soviet negotiations. The paper demanded deeds and not words, declaring that Germany is not interested in peace-filled phrases, since it is obvious that they are merely intended as a camouflage for the deeds of those who utter them.

"Whether British Government leaders choose to refer to their policy as anti-aggression or encirclement, Germany perceives an open hostility behind it and will not budge one inch from her attitude of defense until London changes its course," the Nazi organ continued. It then listed what it called evidence of Britain's hostile attitude toward Germany, as follows:

1. Maintenance of the fiction that a Czecho-Slovak state still existed, thereby encouraging unrest in German territory.

2. Prevention of a final clarification of German-Polish relations on the basis of the proposals made by Chancellor Hitler in April, 1939.

3. Bartering away of the vital interests and national independence of the Baltic states and Rumania to the real enemy of those countries, namely Bolshevism.

4. Selling of Arab territory to Turkey in order to draw that country into the encirclement front.

5. Continuous efforts to conclude a military alliance with the Soviet Union, directed solely against Germany.

"These," the paper declared, "are the facts of British policy, but Lord Halifax waves the banner of negotiations in the House of Lords and his press advocates a world conference."

Jitterbugs

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ADDITIONAL evidence that the British Government would like to find a basis for agreement with Germany was furnished by the London *Daily*

Telegraph and the *Financial Times*. Defending the conciliatory attitude of Premier Chamberlain and Lord Halifax, the former paper expressed the hope that the new news broadcast from London in the German language would convince the German people that Britain is ready to negotiate, although remaining absolutely firm in her resolve to stand by obligations already undertaken. The *Financial News*, on the other hand, predicted early resumption of Anglo-German trade negotiations, broken off last March, and claimed to know that a German representative would visit London in the near future.

A *Transocean* report said that a statement made by Mr. R. G. Menzies, Prime Minister of Australia, endorsed the new "appeasement" policy and urged a conference between Britain and Germany, this being necessary in order to restore peaceful relations and trade stability.

The Labor Opposition in England, and sections of the Conservative and Liberal parties, are perturbed by the apparent turn in British policy and accusations have been made that Britain is not treating the negotiations with Moscow seriously enough. Lord Halifax denied this in the House of Commons on June 12, citing as proof to the contrary the fact that Mr. William Strang, one of Britain's ablest diplomats, had been sent to Moscow to continue parleys with the Soviet Government.

Moscow was piqued by Britain's action in sending a professional diplomat, since they expected that Lord Halifax would be sent. Apparently by way of retaliation, Moscow appointed a new Assistant Foreign Commissar, A. Lozovsky, to negotiate with Mr. Strang. Lozovsky, who has had no diplomatic experience, is one of the few "Old Bolsheviks" Stalin has not liquidated. For many years he was the General Secretary of the now defunct Red International of Labor Unions, trade union counterpart of the Comintern. In that capacity he caused Britain quite a deal of trouble in 1926, at the time of the British General Strike, which the Russian unions and the R.I.L.U. financed to the extent of millions of rubles. Now he has been dragged out of obscurity—to negotiate with the same British Government which he once sought to undermine and overthrow!

Moscow's continued insistence on guarantees for the Baltic states has strengthened the hand of those in Britain who have been demanding a rupture of the Anglo-Soviet negotiations. Sir Francis Lindley, former British Ambassador to Tokyo, addressed the Foreign Affairs Committee of the House of Commons on June 8 and strongly recommended such a rupture, *Transocean* reported, especially since the Baltic states had expressed their aversion for the guarantees which Moscow has demanded. Britain's prestige would suffer less by breaking off negotiations, he said, than if the view were allowed to persist that Britain has become dependent on Soviet ideology.

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MEANWHILE, Danzig and the whole question of German-Polish relations is once more in the limelight. Current Nazi propaganda suggests that the Danzig issue will fall due for a settlement in the not distant future. Whether a settlement will be attempted by force of arms—in which event a general European war would be inevitable—or by peaceful agreement, remains to be seen. Poland has repeatedly expressed her determination to resist any forceful attempt to alter the status quo, but if the Anglo-Soviet negotiations fail, the Anglo-French military guarantees to Poland will be practically worthless and Poland may be forced to see the wisdom of ceding Danzig—which is a 95 per cent German town—to Germany peacefully rather than put up what will be a hopeless struggle to retain it.

Albert Forster, Nazi leader in Danzig, made a speech

Key to European Peace, or?

American Observer

on June 9 in which he said that the 400,000 Germans in the Free City had never entertained any doubt that they would one day return to the fold of the Nazi Reich. This was the voice of Hitler, speaking by remote control, and it was reinforced by the presence in Danzig of 6,000 German Storm Troopers from East Prussia, who went to the Free City to parade before their chief-of-staff, Viktor Lutze. Dr. Joseph Goebbels, Nazi Propaganda Minister, was also there to proclaim Germany's right to Danzig.

The unsettled Danzig issue is subjecting German-Polish relations to an increasingly intolerable strain. Scarcely a day passes without "incidents" in which members of the German minority in Poland, and especially in the border regions, are subjected to persecutions,

some of a minor character, others more serious. Reports of such incidents are not just Nazi propaganda, although the German press naturally magnifies them for propaganda purposes. When the relations between two states are strained, as German-Polish relations are strained today, such incidents are inevitable. If there were Poles in Germany, they would be having just as hard a time as the Germans are having in Poland.

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REPORTS from Prague last week and this week show that Germany is not having too happy a time with her new "Protectorate" of Bohemia and Moravia. On June 7, a German police orderly was murdered in Kladno and this was followed by drastic measures against the whole population, instituted by the Reich "Protector," Baron Konstantin Von Neurath. All public meetings were prohibited and all cinemas, theaters and other amusement places ordered closed. Schools were shut down. Windows and doors leading on to streets were ordered closed between the hours of 8 p.m. and 5 a.m., with a warning that shots would be fired into any found open.

Other drastic measures, including a collective fine on the town of 50,000 marks, were suspended when puppet Premier Elias visited the German Secretary of State Karl Hermann, licked his boots, and promised that everything possible would be done to bring the killers of the German police orderly to justice.

Nor is opposition curshed in Austria, the territory which Nazi Germany annexed last year, judging by a *Transocean* report from Vienna on June 11, which said that seven men, members of a revolutionary socialist organization, had been given imprisonment sentences on charges of high treason. One man, it was alleged, administered a fund known as the "Socialist Workers' Aid." Two others were charged with having tried to smuggle a Jewish party member across the frontier to Switzerland.

Japanese Claim for Looted Rayon Comes Before U.S. Court

ALTHOUGH claims by Third Power nationals for losses sustained due to actions by the Japanese have never yet succeeded in gaining a hearing before a Japanese tribunal, a Mr. M. Ito, Japanese piece-goods dealer trading under the name of Ekki Yoko, got a hearing in the United States Court for China on May 31 for a claim which he has brought against the American Securities Corporation.

The plaintiff is demanding Yen 13,915 as compensation for several bales of rayon yarn which were stolen from the defendant company's godown, 1362 Yangtszepoo Road, on the morning of February 17, 1938, Attorney H. D. Rodger, for the company, argued that due to the situation prevailing in Shanghai at the time of the theft, when hostilities were in progress, the company could not be held responsible for the looting in which the rayon yarn was lost, especially since the company had not been negligent in its responsibilities. Judge Helmick reserved his decision.

Chinese Correspondent May Be Released Shortly

GEORGE Wang, Chinese reporter on the staff of the *United Press* at Chungking, may shorly be released according to messages received in Shanghai this week. Mr. Wang was arrested on April 14, and according to reports circulated here by *Domei* on June 9, was sentenced to five years imprisonment. The Japanese report alleged that Wang had "divulged military secrets." Officials of the *United Press* in Shanghai stated that they were unaware of the exact cause of Wang's arrest and also had no knowledge of a further report circulated by *Domei* that another Chinese reporter, named Shu Tsung-siao, who was connected with the Soviet *Tass* agency, had been executed. George Wang is a graduate of the School of Journalism of Yenching University, Peiping and for a time was employed by the *Peking Chronicle* and the Tientsin *Ta Kung Pao*. Later he joined the *United Press* as diplomatic correspondent at Nanking, where he remained until the Chinese evacuation of that city.

According to a *Reuter* report from Chungking on June 7 the Chinese National Military Council had decided to estalish a "Wartime Press Censorship Bureau," possibly for the purpose of preventing further complications such as those which had developed over the George Wang incident. The head of the new bureau will be Gen. Hsiung Ping, with Pang Kung-chang as vice-director and Peng Keh-chin as secretary-general.

House Committee Would Lift Arms Embargo

THE Committee on Foreign Relations of the House of Representatives voted on June 13 to repeal the section in the Neutrality Law which places an embargo on the sale of arms and munitions to warring nations. The propelling motive (*Reuter*) was a report by the Department of State informing the Committee that Germany had acquired vast stocks of arms and munitions in the seizure of Czechoslovakia and that the establishment of a protectorate in Bohemia and Moravia had given Hitler marked arms superiority over Britain and France. The reference, apparently,

BUT IN CASE OF RAIN?

St. Louis Post-Dispatch

was to Hitler's seizure of the vast Skoda munitions works, which had been developed in Czechoslovakia largely with French capital.

A refusal on the part of the United States to sell arms and munitions to Britain and France, in the event of war, would actually mean that the United States favored Germany.

Whether the Senate Foreign Relations Committee and the Senate will take similar action was not known, but a *United Press* report from Washington on May 30 indicated that Senate opposition might result in no action at the present session of Congress. It was alleged that isolationists and Republicans might block the amendment or enactment of a new neutrality act. Secretary of State Cordell Hull's proposals to Congress were to the following effect:

1. American ships should be forbidden to sail into areas designated by the President as "combat zones," regardless of the cargo being carried. Americans also should be restricted in their travels in such zones.
2. Title-deeds and other documents of ownership should be given over to foreign purchasers before the exportation of goods to a belligerent nation.
3. Present legislation regarding American loans and credits to foreign Powers should be maintained.
4. Requests for funds and collections in the United States for belligerent nations should be regulated.
5. All exports and imports of arms should be licensednts. a committee charged with controlling munitions shipme by

The Hua Hsing Bank as Seen Through Japanese Eyes

(*Translated from the Japan Economist, May* 11, 1939)

A new bank called the Hua Hsing (China Development) Commercial Bank was established in Shanghai on May 1, thereby marking a new epoch in our economic and financial works in Central China. Creation of such an institution had long been advocated by interested circles with four objectives in view, i.e., (1) rehabilitation of economic life of the Chinese masses, (2) readjustment of the circulation of the yen currency and Army notes in Central China, (3) promotion of foreign trade along the Yangtsze Valley, and (4) disposal of the old legal tender.

The new bank, incorporated under law of the Renovation Government of Nanking, is capitalized at Yen 50,000,000, fully paid up. It has its head office in Shanghai and a branch in Nanking. It will conduct the following businesses: (a) discounting of reliable commercial bills, (b) loan and discount on the security of reliable securities and easily-negotiable commodities, (c) dealing in exchange and documentary bills, (d) buying and selling of gold and silver bullion and foreign currencies, (e) deposits, (f) custody and collection of bills, and (g) business relating to trust and savings.

The bank is empowered to issue its own notes, which can be circulated on a compulsory basis. Denominations of the new notes are five: ten yuan, five yuan, one yuan, two fen, and one fen. Of the total reserves for the note issues, specie and foreign exchange will comprise 60 per cent, and reliable securities 40 per cent.

Compulsory Circulation

In order to give compulsory circulation to the Hua Hsing notes, the Renovation Government of Nanking will promulgate the Hua Hsing Commercial Bank Law. The notes are convertible without restriction at par with the old legal tender of the Chiang Kai-shek Government. It means that they can be converted at any time into foreign currencies at the rate of 8d. Although the new institution is financed by the Renovation Government and Japanese banking interests on the spot, it will welcome investment by Chinese and foreign interests in the future.

Salient features of the Hua Hsing Commercial Bank are summarized as follows:

1.—Because much importance is attached to the financing of foreign trade, the new notes can be considered simply as a trade currency.

2.—With its capital being fully paid up and its reserves equal in value with its note issues, the bank can be said to be based on a firm foundation. The new currency is freely convertible into foreign money.

3.—In order to secure the function of its notes as a trade currency, the bank will never issue paper money with any other purpose than acquisition of foreign funds. The new currency will never be used for political designs except that it may be used for tax collection for the time being. Transactions with the occupied zones and with Japan shall be conducted in Army notes or in yen currency.

4.—The circulation of the Hua Hsing notes shall be confined to three provinces under the Renovation Government—Kiangsu, Chekiang and Anhwei—which area must be divided clearly from North China where notes of the Federal Reserve Bank of China are in circulation. The latter notes are convertible at market quotations with the former just like the yen currency.

One can safely say that it is very wise for the authorities concerned in Central China to have adopted such an astute currency policy much different from that pursued in North China. For many experts have been advocating the temporary maintenance or utilization of the legal tender on the ground that it is the only trade currency in Central China and that it is supported, materially or otherwise, by Western Powers whose rights and interests are interwoven in a delicate and complicated manner in Shanghai. Because the new currency is at par with the legal tender, not only are British and other foreign interests unlikely to be affected seriously but also the commodity market in Shanghai will not suffer any serious dislocation. In case the quotations of the old legal tender rise, those of the Hua Hsing notes will improve accordingly. In the event of further decline of the old currency, however, the quotations of the new notes will be stabilized at a proper rate against foreign currencies.

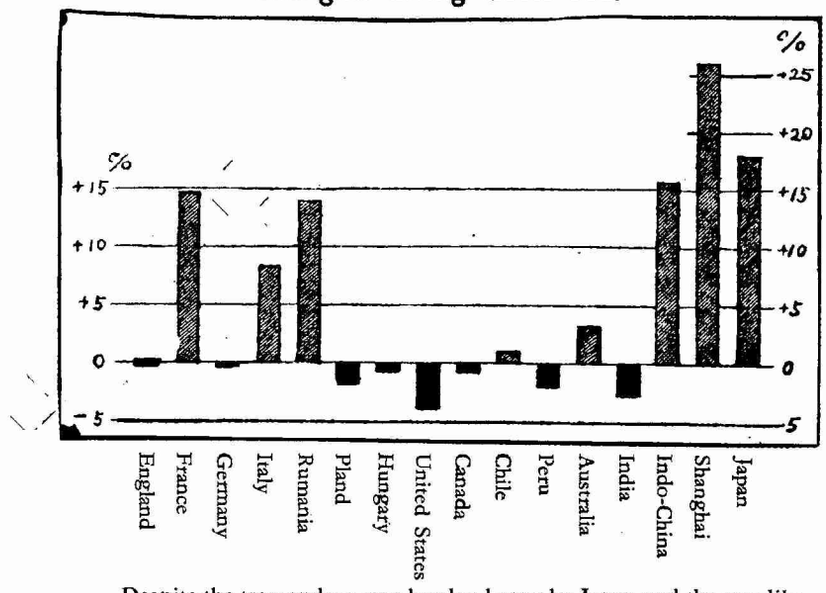
Caution in Central China

After all is said and done, serious caution has been taken in Central China to avoid any unnecessary conflict with foreign interests and the old currency system, although in North China the gauntlet has been thrown down against the Chiang Kai-shek Government in the field of currency as well. For the time being, both the new and old notes will be in circulation as a trade currency. Preparations will be made gradually for consolidating the new notes to such an extent as to secure their circulation as a domestic currency after the eventual collapse of the old legal tender. Thus, it can be seen that the most urgent mission of the Hua Hsing Commercial Bank is early promotion of foreign trade and economic rehabilitation along the Yangtsze.

The question self-suggesting is: What effects will the new currency system have on economics in general and foreign trade of China? In connection with the proposed promotion of foreign trade, we can expect much from the Hua Hsing Commercial Bank which, as already pointed out, will devote most of its efforts to the financing of foreign trade by discounting export bills and offering loans on the security of such bills. It is to be noted here that although public peace and order have been restored in many areas in Central China, yet traders find it very hard to buy up staple products from Chinese farmers in the interior. One of the cogent reasons for such a state of things is that the Chinese masses still have deep confidence in the old legal tender, whose circulation, however, has been deflated to an extreme degree by the Chiang Kai-shek Government.

(*Continued on page 80*)

Shanghai Living Costs Soar



Despite the tremendous war burden borne by Japan and the steadily increasing signs of inflation, Shanghai, unfortunately, still remains ahead of Nippon as one of the most expensive world centers to reside in. The above chart was drawn by the Nichi Nichi Economist, which based it on figures supplied by the League of Nations. It was drawn prior to last week's slump of the Chinese dollar and does not, therefore, show the actual position at the present time, since prices have risen 20 to 30 per cent in the past week. Of course, the chart does not show the causes of the rise, which, in the case of Shanghai, must be laid at the door of the Japanese Army, which was responsible for the terrible dislocation of Chinese economy. It will be noticed that the cost of living in Shanghai has gained roughly 26 per cent since the incident began, that the cost of living in Japan, which rose about 18 per cent, has also been affected markedly. Indo-China, with an increase of 16 per cent, France, with an increase of about 14½, Rumania, with an increase of 14 per cent and Italy, with an increase of 8 per cent have followed similar trends. In the United States, on the other hand, the cost of living has gone down about 4 per cent since 1937. India, with a 3 per cent decrease, Poland, with a 2 per cent decrease, and Peru with a decrease of between 2 and 3 per cent led in the downward trend of costs. In between are such countries as Chile, Canada, England, Germany and Hungary, whose changes in the cost of living varied from an increase of but 1 per cent to a decrease of 1 per cent. The majority of the present prices are based on January of this year. However, the cost of living in Japan is based on April; that in Shanghai, India and Poland, on February; that in Peru, Chile, Canada on December, 1938; that of Indo-China on November, 1938, and that of France and Australia on the October to December mean of 1938.

89-086

Wang Speaks Again: Chungking Orders His Arrest

WHILE the Wang Ching-wei puzzle remains unsolved, the ex-Kuomintang leader's anti-government activities are beginning to attract more and more serious attention on the part of the public. Although definite information concerning his doings is still lacking, the belief is being strengthened that he is actively intriguing with the Japanese to sabotage Chinese resstiance and facilitate the creation of a new puppet regime in opposition to the National Government.

Indicative of the seriousness with which his movements and activities are viewed by the authorities, was the mandate issued last week by the National Government, ordering his arrest and punishment. The mandate charged Wang with "collusion with the enemy and bringing disaster to the country" and authorized all military and civil authorities throughout the country to effect his arrest. This action, which was taken on the recommendation of the Supreme National Defence Council in response to over 1,000 petitions from various quarters, was the most serious one since the Central Executive Committee of the Kuomintang expelled him from the party and relieved him of all his posts. The government delayed this action for almost half a year in the hope that Wang would repent his desertion of the cause of resistance and return to its fold. Such hopes now seem to have been completely abandoned in view of persistent reports that Wang is determined to throw in his lot with the Japanese and to continue his subversive activities against the government.

Wang, Emissaries Busy

According to official information received at Chungking, Wang left Shanghai for Tokyo on May 31 and arrived there on June 2. He was preceded by Chou Fu-hai, formerly vice-minister of the Central Publicity Council, who went to Tokyo to perfect arrangements for him. From Tokyo, Wang was said to have sent a message to Liang Hung-chih, Japanese-appointed head of the Nanking regime, stating that "My views are not acceptable to the National Government." "I hope you will get satisfaction in Tokyo," Liang reportedly replied.

Meanwhile, foreign reports from Hongkong indicate that emissaries of Nanking are in Hongkong and South China to contact leading followers of Wang in order to induce them to go to the former capital to become cabinet ministers or to accept other lucrative posts in a new government which Wang is intriguing with the Nanking puppets to establish. It is expected that the so-called Canton Peace Maintenance Committee will adhere to the new regime under Wang. Lu Chun-yung, a member of the Canton committee, is said to have gone to Shanghai to see Wang concerning Canton's relations with his new organization. To maintain his prestige, Wang is said to have suggested that Japanese troops in Canton should be evacuated in favor of a Chinese peace preservation corps and the Japanese are reported to be considering the proposal.

Reports of Wang's presence in Shanghai persist, but his exact whereabouts are still a matter of conjecture. According to report, Wang maintains two hide-outs, one being the residence of Gen. K. Doihara in Kiangwan and the other his own house on Amherst Avenue. He is said to be visiting Kiangwan, where he contacts the Japanese and the Chinese puppets.

Staying with Wang are his wife, nee Miss Chen Pi-chun, and her nephew Chen Chun-pu, dismissed member of the Overseas Affairs Commission. The latter is said to be in charge of Wang's intelligence and propaganda work, receiving a monthly subsidy of $50,000 from the Japanese. Gen. Doihara, Japan's master intriguer, Chen Chung-fu and Chen Chun, officials of the Peiping and Nanking regimes, and Kao Tsung-wu and Chou Fu-hai, close associates of Wang, are said to be the chief figures involved in the present "secret negotiations" between the expelled Kuomintang official and the Japanese authorities.

The government's mandate for Wang's arrest has met with approval from all quarters, according to messages received at Chungking. It is pointed out that since Wang has been found guilty of collusion with the enemy, the order for his arrest is another proof of the government's determination to continue resistance against the invasion.

Press Endorses Action

The Chungking press fully supports the government's decision, declaring that it will strengthen the country's determination of armed resistance. This disciplinary action against Wang, the papers stated, had come as no surprise, as it was expected immediately after his departure. They pointed out that Wang lost his prestige and influence when he left Chungking and that therefore his future actions would have no bearing on the continuance of Chinese resistance against the Japanese.

Chinese newspapers in Shanghai expressed the opinion that the order for Wang's arrest was a far-reaching step in strengthening the people's determination to resist the invasion. The *Hwa Pao* pointed out that the government had shown leniency towards Wang for half a year, in the hope that he would awake to his mistakes. That was why the government had refrained from taking any positive action for his punishment. As Wang had definitely failed to repent, the paper added, it was necessary for the government to clarify its attitude towards his subversive activities by ordering his arrest.

The *Tao Pao* said that the government's action marked an improvement in its wartime political policy. It was also an indication of the consolidation of the internal organization of the Kuomintang. The journal recommended that similar disciplinary measures should be taken against Wang's followers.

Another Ambulance Car for China

This motor ambulance was recently presented to China's wounded, through Madame Sun Yat-sen, by Sir John Thornycroft, head of the well-known British automotive firm. The chassis was shipped to Hongkong where the body was built according to factory specifications, being equipped with nine stretchers, electric light, wash-stands with hot and cold running water, and six seats for the lightly wounded. Madame Sun is seen standing by the ambulance in the shadow of Hongkong's famous Peak.

Wang's Latest Statement

Breaking his long silence, Wang issued a lengthy statement through the Japanese *Domei* news agency in defence of himself and his so-called "Peace" policy. While the statement contained nothing new as compared with his previous utterances, it was a bitter attack against the National Government, its policy of resistance, its military strategy and the "scorched earth" tactics, and particularly the Chinese communists and the guerrillas. He likened the Chinese people to crops and the communists and guerrillas to locusts.

Singing again his old but discredited song, he argued that the peace offer contained in the statement of the ex-Japanese premier, Prince Konoye, on Dec. 22 last year, should be accepted by China as a basis for peace negotiations. And he had the temerity to say that "It is a great pity that Chungking did not take Prince Konoye's declaration and my proposals seriously."

Referring to the international situation, he said that China's policy based on assist-

ance by Britain, France, Russia and America in the case of an outbreak of war in Europe was a "pure illusion." In an attempt to defend his desertion of Chungking, he pleaded that he did not leave the capital for fear of his life or for selfish interests. He said that his mind "has always been occupied with the idea of how China would be able to carry out a long period of resistance, how she could emerge victorious and at the same time how she could re-establish peace."'

The statement was boycotted by Chinese newspapers in Hongkong and Shanghai.

Mass Poisoning Plot

The whole gang of Nanking puppets, including several Japanese officals, narrowly missed death last week-end, when an attempt at mass poisoning was made. While the results of the attempt have been minimized by reports from Japanese sources, it is believed that several of the puppets are in a serious condition.

According to *Domei*, a banquet was given at the Japanese Consulate-General in Nanking on June 10 in honor of Tomesaburo Shimizu, Japanese parliamentary vice-minister of Foreign Affairs, now visiting in Nanking. The party was attended by several high Japanese officials and the leading members of the Nanking regime. During the dinner, poisoned Chinese wine was served and after they drank a toast in honor of the visiting Japanese official, all those in the party immediately became ill. Although *Domei* claimed that all those affected by the poison were out of danger due to prompt medical attention, it admitted that several of the aged victims may develop uremia. Had the plot been successful, the report stated, it would have wiped out the key members of the Nanking regime, including Liang Hung-chi, head of the Executive Yuan; Wen Tsung-yao, head of the Legislative Yuan; Jen Yuan-tao, pubilc security minister; Ku Chen, education minister; Hu Jeng-tai, justice chief; and Kao Kuan-wu, Nanking mayor.

Two Reported Dead

According to a later *Domei* report, two of the victims, both Japanese, died of the poisoning. They were Minosaku Funayama and Tamakichi Miyashita, councillors of the Japanese Consulate-General at Nanking. Liang Hung-chi was said to have been removed from the Japanese Dojinkai Hospital to his home, while Kao Kuan-wu had to be detained in the hospital for further treatment.

One Chinese suspect was said to have been arrested, but the "brains" of the plot, according to Japanese reports, are still at large.

The Japanese military at Amoy are planning to convert the present Amoy Peace Maintenance Committee into a special municipal government, with Li Chih-hsien as mayor. Speaking for the committee, Li was quoted as having said: "We wish to express our thanks for the kindly guidance of the authorities at Amoy by our friendly neighbor, Japan."

Two Chinese merchants were arrested in the International Settlement of Shanghai last week by the Municipal Police at the request of the Japanese military authorities. The two men, Chen Kwong-tsung and another named Chang, director and managing director of the Far Eastern Trading Company, were charged with being engaged in guerrilla activities and taken to the police headquarters for questioning. Investigations revealed their innocence and they were reported to have been released.

Word to Journalists

In a message of good will to the *Kuo Min Jih Pao*, new daily newspaper published in Hongkong, Gen. Chiang Kai-shek said that the duty of wartime journalists should be to inform the overseas Chinese and foreign friends of the actual situation in China, and enlighten the people regarding their duty towards the state. The generalissimo pointed out that "China is confronted by two important tasks, namely, to resist the invaders at the front and to increase production in the rear." These tasks could only be achieved through the cooperation of the people with the government, Gen. Chiang said.

A Japanese report alleged that Madame Chiang, accompanied by W. H. Donald, Australian advisor to the generalissimo, had secretly arrived at Hongkong, the purpose of the visit being to discuss with British and American financiers measures for the stabilization of the Chinese dollar.

In order to concentrate the nation's ideas on the successful achievement of national liberation and reconstruction, the Central Executive Committee of the Kuomintang has issued an order strictly prohibiting the organization of political cliques. The order threatens severe punishment to any one found violating it.

The situation at Kulangsu was not so serious as reported in the press, declared Nelson T. Johnson, American Ambassador to China, upon his arrival at Kunming last week. The American envoy denied that he had discussed this matter with other diplomatic representatives while he was in Shanghai. He was honored at a reception given by Gen. Lung Yun, chairman of Yunnan, before resuming his journey to Chungking.

Chen Chieh, Chinese ambassador to Germany, is now on a visit in Frankfurt-on-Main, where he inspected the collection of Chinese art treasures in the China Institute and was the guest at a reception given by the mayor of city, Dr. Krebs. Mr. Chen also visited Bad Nauheim before returning to Berlin.

Elder Statesman Dies

Hsu Shih-chang, famous statesman and scholar, who was President of China from 1918 to 1922, died at Tientsin at the age of 81. Born in Tientsin in 1858, Mr. Hsu was appointed a Hanlin Compiler under the Manchu regime in 1886. He was given the honorary degree of Doctor of Literature by the Paris University in 1921, and had been living in retirement since 1922. In recognition of his meritorious services to the state, the National Government issued a mandate of commendation on Mr. Hsu and ordered an appropriation of $10,000 for his funeral expenses.

Fang Chih, formerly director of the Central Publicity Department, who is now Commissioner of Education of Anhwei, declared that the Japanese had occupied only a few cities along the Yangtsze river and the railways in Anhwei province. The Anhwei Provincial Government and the Provincial Party Headquarters were carrying on their work as usual, and their orders were enforced in 62 districts of the province, he added. Mr. Fang, who made the above remarks at Fancheng, in Hupeh, was on his way to Chungking to report on the situation in Anhwei.

Gen. Hsiang Han-ping, formerly vice-commander of the 4th Route Army, has been appointed commander-in-chief of the guerrilla forces in the East River sector in Kwangtung. Gen. Hsiang is now at Waichow, where he has established his headquarters and an institute to train guerrilla leaders.

Huge University Loses

Figures just revealed in Chungking by the Ministry of Education showed terrific losses of property, equipment and books by Chinese educational institutions as a result of the Sino-Japanese hostilities. Before the outbreak of the hostilities, it was stated, building and equipment possessed by China's 103 institutions of higher learning were valued at $86,000,000. Losses sustained through the war by eight universities alone, statistics revealed, totalled nearly $18,000,000. Losses sustained by government and private colleges and universities were estimated to total over $65,000,000, or three quarters of the total value. Of 5,000,000 books in Chinese college libraries, 2,800,000 volumes, or over one-half, had been lost to date.

The Formosan revolutionary movement, brutally suppressed by the Japanese prior to the Manchurian outrage in the fall of 1931, has burst into new activity since the outbreak of Sino-Japanese hostilities in the summer of 1937. Within five months of the beginning of the war, there was organized the Formosan National Revolutionary Union. Although more than ten thousand Formosans have been arrested since the beginning of the present war on charges of anti-Japanese activity, the revolutionary movement in Formosa is today more intense, then ever, according to one of its supporters who recently went to Chungking.

Program of Formosans

The Formosans, the same informant said, have joined the Koreans and liberal Japanese to form the Japan-Korea-Formosa Anti-Fascist Federation. The Federation's program calls for the following activities:

(1) dissemination to the world of information about the Japanese militarists
(2) liaison work to coordinate the revolutionary activity now going on among the people of the three nations.
(3) radio broadcasts in the Japanese, Korean and Formosan languages.
(4) education of Japanese captives taken in China as to the true nature of the Japanese militarists.

White Russians Seize Building of Soviet

The "White Russians Anti-Comintern Committee" staged what *Domei* called a dramatic coup when on June 10 they descended on the deserted building of the Soviet Consulate in Tientsin, hauled down the red flag floating from the mast and hoisted a tri-colored emblem in its place. They then proceeded to occupy the building and issued a statement as follows:

"Churches and other buildings in the Third Special District (one of the ex-concessions) of Tientsin have been handed down from the days of the Tzarist regime, and we White Russians have the right to take possession of them. As for the Consulate we have occupied, it has been unused for the past two years. In view of the report that the Soviet Union is going to secretly send Communist agents into Tientsin and raze or sell the Consulate building, we intend to keep it in our possession until the birth of a genuine Russian regime."

Although the Consulate building is in territory controlled by the Japanese, the latter have apparently acquiesced in the White Russians' action, since eviction of the invading Whites has not been reported.

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Soviet-Japanese Fish Squabble Is Renewed

The Russian Waters Fishery Society in Tokyo was this week drafting a strong protest to be filed with the Soviet Government, through the Foreign Office, regarding alleged "unreasonable obstruction" by the Soviet of Japanese fishery rights. This move apparently revives the everlasting fisheries dispute between the two countries which was believed settled—at least for a time—when a modus vivendi agreement was signed in Moscow last April.

Japanese Blockade Concessions in Tientsin; City Now an Armed Camp

BRITISH ENVOY GUARDED AS RESULT OF THREATS

Threats against the life of Sir Archibald Clark Kerr, British Ambassador to China, have caused the British military authorities and the Shanghai Municipal Police to take exceptional measures to guard the envoy against possible attack. Since last Saturday, a guard of Seaforth Highlanders has been stationed at the Ambassador's home, 50 Tunsin Road, while steel-waistcoated detectives ride with him to and from his office on The Bund. The envoy has also been induced to wear a bullet-proof vest, while it is understood that he is to get a bullet-proof car as well.

Although the source of the threats has not been publicly disclosed either by the Ambassador or by the Police, rumor says that they have emanated from "pro-Japanese terrorists."

WEEKS during which Anglo-Japanese relations have undergone a steady worsening due to numerous "incidents" and the insistence of the Japanese upon altering the status of the International Settlements and Foreign Concessions in China, reached something of a climax on Wednesday of this week when the Japanese Army in Tientsin imposed a virtual blockade on the British and French Concessions in that city in retaliation against a British refusal to hand over four Chinese allegedly implicated in the assassination of Cheng Hsi-hou, Japanese-appointed manager of the Tientsin branch of the Federal Reserve Bank, who was shot dead in a cinema in the British Concession on Apr. 9.

The gravity of the strain to which Anglo-Japanese relations are currently being subjected was emphasized by the Diplomatic Correspondent of the London *Times*, who declared this week that Britain is confronted with the "ugliest situation" that has developed since the commencement of the Sino-Japanese hostilities.

"Limit of Patience"

Announcing that the blockade of the Tientsin Concessions would commence at 5 a.m. June 14, the Japanese authorities said the step was being taken because "the last limit of our patience has been reached." The blockade would be continued, they also declared, until the British authorities discontinued:

1. Affording protection and providing a feeling of security to anti-Japanese and Communistic elements in the British Concession.
2. Supporting the Chinese national currency and hampering the circulation of the Federal Reserve Bank notes.
3. Causing a rise in the price of commodities by hoarding.
4. Conniving in the use of unregistered wireless stations.
5. Allowing the use of anti-Japanese textbooks in the British Concession.

Attack on Britain

The Japanese Newspapermen's Association passed a resolution blaming the complicated Concession issue on the "obstinacy and insolence of the British Government and its authorities" in Tientsin. They also expressed "deep sympathy for the immeasurable damage, losses, perplexity and embarrassment" which British subjects and other foreigners, and the Chinese, would suffer as a result of the blockade.

Japanese subjects were requested by their consular authorities not to visit the British or French Concessions except for unavoidable business reasons. Japanese businessmen frantically moved cargoes out of the two Concession areas as the blockade deadline drew near.

"Isolation" of the Concessions in Tientsin represents the minimum action needed for the discharge of the Japanese Army's duties, a Nippon military spokesman declared on Tuesday. "The arrow has already left the bow," he said, and therefore the Anglo-Japanese dispute could not now be settled by the mere handing over of the suspected Chinese assassins.

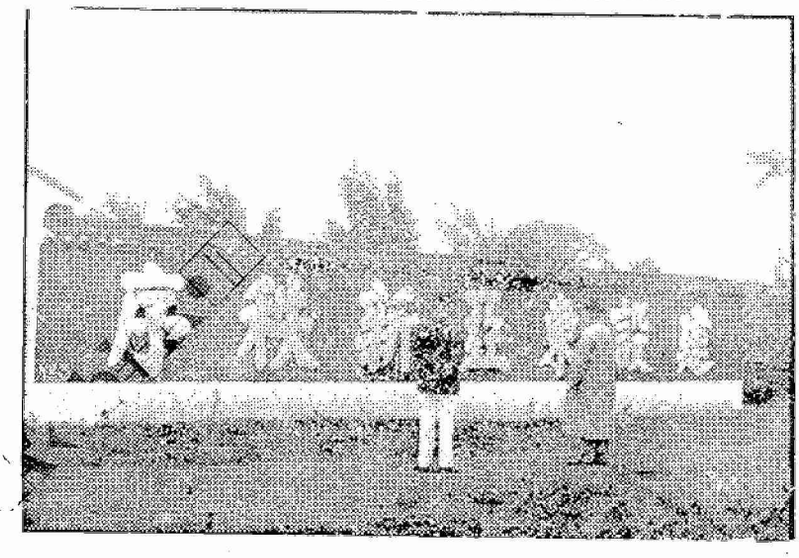
Warning was issued that all pedestrians and vehicles entering or leaving the Concessions would be liable to search at seven different points, while ships plying the Pei River, which runs through Tientsin, would also be searched. Although assurances were given that food would be permitted to enter the Concessions, residents of the two areas were laying in supplies for emergencies.

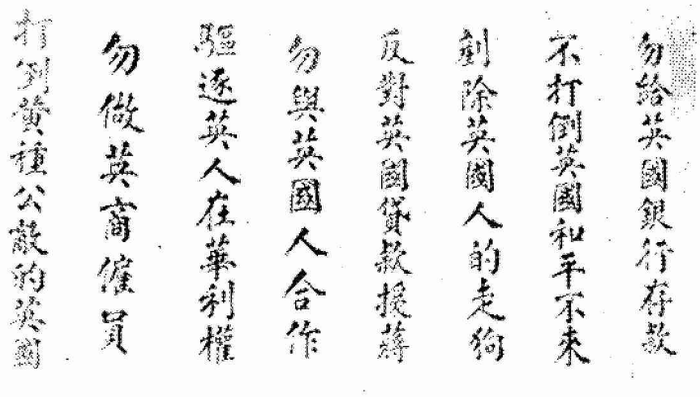
Tokyo Gets Warning

Sir Robert Craigie, British Ambassador in Tokyo, has warned the Japanese Government of the dangers of an armed Anglo-Japanese clash in Tientsin, the London *News-Chronicle* reported June 13. At the same time, he reportedly offered to settle the question of the handing over of the alleged terrorists by the setting up of a committee to consist of one Briton, one Japanese and a neutral to decide whether extradition would be justified, but the Japanese are said to have rejected this offer.

According to a *Domei* report, the British Concession in Tientsin has been turned into an armed camp, with mobile patrols in trucks speeding through the streets, while soldiers and police are stationed at the Concession boundaries, searching all passers-by. Proclamations forbidding the creation of political organizations and the holding of political meetings, printed by the Concession authorities last October, have also

Anti-British Propaganda in Sungkiang





Photos by Lacks

When two officials of the local American Legion Post visited Sungkiang recently to inspect repair work on the tomb of General Frederick Townsend Ward, which was damaged during hostilities, they discovered Japanese propaganda posters and anti-British slogans plastered on the walls around the grave. The huge characters in the upper picture hail the "New Order in Asia." Lower picture is an anti-British poster seen in Sungkiang, which is under Japanese control.

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reappeared, the agency said.

A *United Press* report stated, on the other hand, that the authorities of both the British and French Concessions were meeting the situation calmly. The Concession perimeters were not manned by foreign troops, police patrols were not strengthened and the Volunteers had no orders to stand by.

The Real Issue

It became clear last week that the real issue involved in the Tientsin situation is the future of the foreign-controlled areas in China, and that the Japanese demand for extradition of the four alleged Chinese terrorists is merely a single facet of the matter. The British, in refusing to hand over the four Chinese, claimed that there was no evidence to substantiate the charge that they were implicated in the murder of the late Federal Reserve Bank manager.

A Japanese Army spokesman in Tientsin, however, declared June 13 (according to a *Domei* report) that the guilt of the four had been substantiated by the Japanese investigation "and confirmed by the representatives of the British authorities who participated in it."

That the issue now involved is the larger one indicated above, was shown in a statement made in Tokyo on June 12 by Major-General Teiichi Suzuki, director of the Political Affairs Bureau of the Asia Development Board, and reported the following day by *Domei*. He said Japan was determined to effect a thorough solution of the Settlement and Concession question in China and was prepared for the "worst eventuality" that might arise.

Comment to the same effect was forthcoming from the *Kokumin Shimbun* on June 8. "Since Japan is determined to carry through to the very end the war for the liberation of the Asiatic peoples," the paper declared, "it is necessary to solve once for all the problem of the foreign concessions." It was insisted that Japan should eradicate British influence from the Far East. The *Reuter* agency, in a dispatch from Tokyo on June 5, said opinion was growing in Japan that the extraterritorial rights enjoyed by Third Power nationals in China, and particularly the International Settlements and Concessions which they control, must be abolished if Japan is to achieve control of China's sovereignty.

Attitude of Powers

The attitude of the United States Government was indicated in a press interview given by Secretary of State Cordell Hull June 12, following a consultation with Mr. Joseph C. Grew, American Ambassador to Japan, who has lately returned to Washington on leave. The United States, Secretary Hull declared, does not intend to give in to the Japanese demands regarding American rights in the International Settlements in China.

The British position was stated with equal emphasis by Lord Halifax, Foreign Secretary, in the House of Lords the same day when dealing with Far Eastern questions. Britain, he said, would recognize no unilateral changes in treaties freely entered into with other nations. He denied rumors of a projected withdrawal of British troops from Shanghai and stressed that the commander-in-chief of the Asiatic Fleet had full authority to move the vessels of his command from place to place according to the needs of the moment. Furthermore, he stated, Britain would not accept Japan's excuse of military necessity to justify actions detrimental to British rights, especially in places where military operations had ceased.

Shanghai to be Seized?

Lord Elibank, at the same session, made the sensational announcement that the Japanese were planning to seize the Shanghai International Settlement on July 7, second anniversary of the outbreak of Sino-Japanese hostilities. He urged the strongest action in cooperation with France and the United States to put an end to Japanese activities directed against foreign interests in China.

The arrest and detention of two British officers in Kalgan was the subject of a protest delivered to Tokyo this week. Lieut. Cooper, one of the men, was released "on parole" on June 10, but his superior officer, Lieut.-Col. C. R. Spear, British military attache, was detained "for further investigation." The two men were arrested by the Japanese military on charges of espionage, despite the fact that they hold diplomatic passports.

Anti-British agitation in the Shanghai area, carried forward under the inspiration and guidance of the Japanese authorities, was still in full swing this week. Workers of the Lung Chong Cotton Mill in Pootung, in a letter to the *Shun Pao* this week, claimed that they were being prevented from returning to work by members of the "Southern Wharf Self-Defense Corps," presumably a Japanese-sponsored affair. They were being restrained, they said, despite the fact that they had reached an agreement with the mill management by which they were to receive a three per cent increase in their rice allowance and a five per cent bonus.

It was at the Lung Chong Mill, a British plant owned by the China Printing and Finishing Company, that R. M. Tinkler was done to death by Japanese marines last week. Tinkler died of four bayonet wounds. His death was the subject of mention in the British House of Lords this week when Lord Halifax said that "His Majesty's Government takes a very unfavorable view of it."

Paper Secures Proof

The *North-China Daily News*, confounding Japanese assertions that they were not sponsoring or encouraging anti-British propaganda, last week secured photographic reproductions of a series of nine posters which were being displayed in Pootung and Nantao and in which statements such as the following were found: "No peace will be possible until the downfall of Great Britain is brought about." "Do not serve in British commercial concerns." "Do not deposit money in British banks." "Confiscate all rights and interests of the British people." "Annihilate the running dogs of the British." "Do not forget the Shanghai incident of May 30." "Down with Great Britain, the common enemy of the yellow race." "Oppose the British loan to Chiang Kai-shek." "Do not cooperate with the British people."

The posters containing these slogans are 18 by eight inches and have been seen on public and private buildings throughout the Japanese-occupied areas, particularly in Pootung.

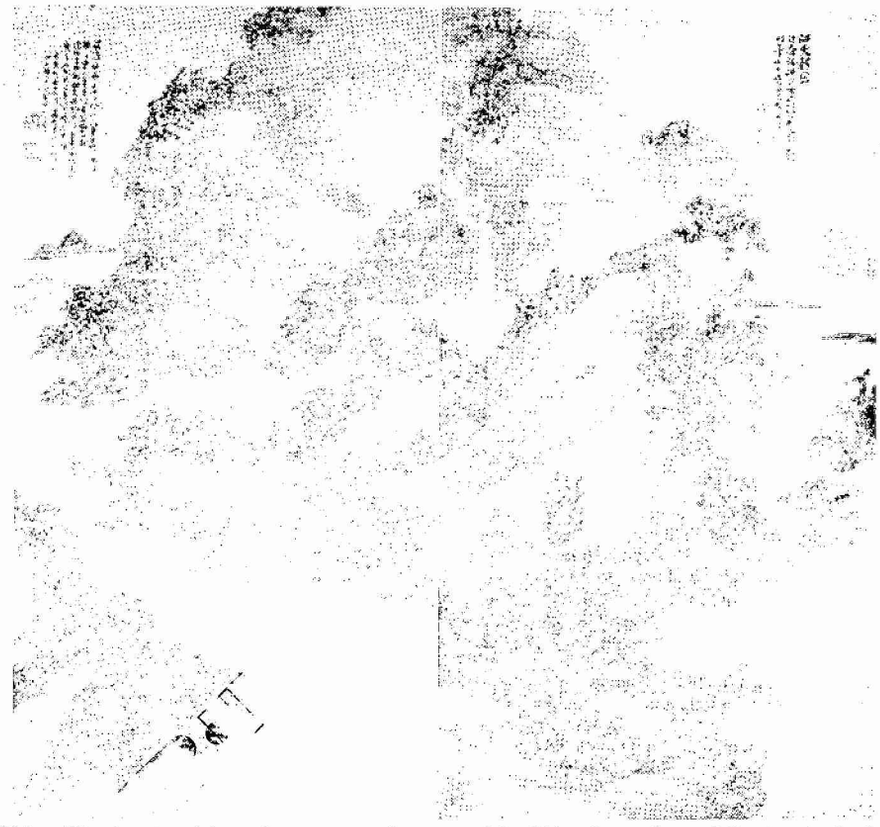
Famed Chinese Artist To Show Work Here

A collection of over one hundred Chinese paintings executed in the strictest Chinese tradition will be on exhibition in the art gallery of the Sun Company on Nanking Road, commencing from June 21.

The pictures represent the best works of Hsiao Wu-chuan, celebrated septuagenarian Chinese painter and calligraphist of Hengyang, Hunan province. Mr. Hsiao has followed the style of the Sung and Yuan artists for many years. A deep insight into nature is revealed in all his pictures, of which two are reproduced here. He is an ardent admirer of Tung Yuan and Chu Jan of the Sung Dynasty and his style has been greatly influenced by these two masters.

Most of the exhibits are landscapes, which he painted in the course of his wanderings in the various beauty spots of the country.

Despite his adherence to old masters, there is an abundance of originality in his works. In addition, he has emphasized the poetic sense in his execution.



Mr. Hsiao has a large following in both North and South China. At various times, he taught in the Niangkiang Normal College in Nanking, the Peking National University, the Nanking Arts College and other art institutions.

Nippon Raiders Bomb Chungking, Chengtu; Mission Property Wrecked

JAPAN'S aerial war against China made big headlines again this week, when Chungking, the provisional capital, and Chengtu, the provincial capital of Szechwan, some 300 kilometers distant, were subjected to raids staged on the evening of June 11. Mrs. S. H. Liljestrand of the American Episcopal Mission in Chengtu was injured and her home destroyed, while another foreigner in the same city, whose name is not yet known, was also wounded.

The raid on Chungking was the sixth. Previous attacks on the densely-crowded city took place on May 3, 4, 12 and 25, and June 9, the latter being a comparatively mild affair. The raid on Chengtu was the first. Mrs. Liljestrand was wounded when bombs were hurled on the campus of the West China Union University. Her husband teaches at the University and their home was situated on the campus grounds.

Dr. Stuart Allen of Canada and Dr. Robert Brown and Mr. Arnold Vaught of the United States had narrow escapes during the raid on Chungking. Carl Crow, former Shanghai newspaperman and advertising man, at present writing for *Liberty* magazine, was also reported to have had a close shave.

Protest to U.S.A.

A vigorously-worded condemnation of the raids was telegraphed President Roosevelt, Secretary of State Cordell Hull, Senator Key Pittman and Representative Sam D. McReynolds by Mr. George Fitch, director of the Y.M.C.A. in Chengtu, Mr. Frank Price, professor of the West China Union University, and Messrs W. P. Fenn and Mr. L. C. Smythe, professors of the Nanking University at Chengtu.

"No possible military objectives" were made targets of the Japanese bombs, the message said. This action in recent raids on Chungking and other cities belies Japan's recent assurances against bombing of civilian areas publicized by the State Department . . . Again we remind you that these utterly wanton killings and destruction are made possible by American actions in selling gasoline, etc to Japan. We implore immediate action in stopping our participation in this inhuman business."

Describing the raid on Chengtu, Mr. Fitch and Professors Fenn and Smythe said that Japanese bombers (*United Press* said 64 planes from Hankow took part in the two raids) flew from south to north over the city, devastating large and densely populated areas and starting many fires which were finally brought under control at 4 a.m. The Anglican Church Mission was endangered for hours. Six bombs, two of which were duds, fell on the campus of West China Union University, half a mile from the city, where 40 Americans and Canadians are teaching 3,000 students. One girl student was killed and 15 others injured.

Students Aid Wounded

The faculty of Central University had a narrow escape from death when a bomb exploded by a tree near the faculty dormitory, where a meeting was in progress. Altogether there were 500 casualties in the city and the students worked for hours in caring for wounded brought to the university from the city proper. Seven of the wounded died.

Chungking authorities claimed that three Japanese bombers were brought down over Chengtu and three over Chungking by Chinese fighters. On Chungking, *United Press* reported, 50 bombs were dropped before Chinese combat planes took to the air. While casualties were not especially heavy, more people were killed and wounded than in the May 25 raid. The raiders deposited their destructive cargoes in an area extending from "Consulate Row" near the Yangtsze to Kiangpei across the Kialing River. "Consulate Row" was narrowly missed, the nearest bomb landing about 400 yards away. The explosion of this missile sent blocks of cement hurtling through the roof of the German Embassay, but no one was hurt. The French Embassay, high on a hill overlooking the city, was virtually surrounded by exploding bombs.

By good fortune the Canadian Mission compound on the south bank of the Yangtsze escaped destruction when several bombs fell outside the compound wall. Bombs struck near the Foreign Office guest house, where Mr. Carl Crow, author of best-sellers on China, was staying as a guest of the government.

French Vessel Sunk

The French-registered river steamer *Fookyuen*, tied up to a pontoon on the south Bank of the Yangtsze, was sunk by a direct hit. The pontoon was also destroyed and sunk.

The air-raid alarm sounded at 5.30 p.m. and the bombers appeared at 7.20 p.m. The alarm was lifted at 9 p.m.

A *Domei* report on June 8 claimed that Japanese bombers razed the town of Tunglitien, 250 kilometers southeast of Tsinan, the previous day in a "surprise raid." The town, the Japanese agency said, was the headquarters of Admiral Shen Hung-lieh, former mayor of Tsingtao.

The following day, according to the same source, Japanese aircraft bombed Chinese positions at Sungsu on the Fukien mainland opposite Kulangsu, causing heavy damage. Changmen, in eastern Fukien, was bombed on June, 9 when 20 civilians were killed or wounded, *Kuo Min* reported. According to the *Sin Wen Pao*, more than 30 towns in Fukien were bombed between Apr. 1 and May 31, the casualties totalling 4,126 killed and 7,166 wounded, of whom 96 per cent were women and children.

Nanning Bombed Again

Nanning, former provincial capital of Kwangsi, was bombed June 9, but, according to *Kuo Min*, most of the 30 bombs dropped landed in open fields.

The Evangelical Lutheran Mission property at Shihnanfu (Enshih) in southeastern Hupeh was bombed and destroyed by Japanese planes on June 8, according to a report received by the American Embassy in Chungking. The Rev. Hubert C. Meyer, who is in charge of the mission property, and other foreigners staying there, were not injured.

Hengyang in Hunan was bombed the following day, when several civilians were killed and a number of houses destroyed.

Has Narrow Shave in Chungking

Photo by Mary Fei

Carl Crow, former Shanghai newspaperman and advertising executive, had a narrow escape in Chungking last Sunday when Japanese aerial bombs exploded outside the Foreign Office guest house where he was staying. Mr. Crow, who has written several best-sellers on China, is now writing for Liberty magazine. This picture was taken very recently outside Mr. Crow's temporary habitat in Chungking where the bombs exploded.

Japanese Capturing Shantung Once More

Judging by recent Japanese reports, the Japanese Army is engaged in capturing Shantung province all over again. A *Domei* report from Peking on June 9 said that Japanese forces had captured Ishui, "principal base of the Chinese troops in the Shantung-Kiangsu war zone"—this after the dissemination of propaganda to the effect that all oppostiion in Shantung had long since been wiped out and the province started on the road to peace and prosperity.

Transocean, in a report from Tokyo, said that with the occupation of Ishui and Chuhsien the Japanese army had brought to

a close operations begun in Shantung on June 3 with the object of destroying Chinese troops and irregulars in the southern part of the province. Only Yichow, it was stated, still remained in Chinese hands and that city was to be the objective of the next Japanese drive.

The Final Stage—Again!

A *Domei* message from Peking on June 11 claimed that the mopping-up operations in southern Shantung were reaching the final stage following the capture of Ishui and Chuhsien, with the troops of Gen. Yu Hsueh-chung "surrounded" in a narrow zone extending 12 kilometers from north to south and 28 kilometers from west to east. The agency claimed that Gen. Yu's forces were "milling about in confusion before the swift Japanese onslaughts." Gen. Yu, Admiral Shen Hung-lieh (chairman of the province) and Gen. Miao Cheng-liu, all three of whom are commanding Chinese forces in Shantung, were said to be "searching for a lane of retreat in the Taishan Mountains."

Indicating major engagements if the Japanese reports are to be believed, *Domei* reported June 13 that 7,428 Chinese soldiers were slain in 43 clashes in southern Shantung during the previous five days. The agency said that 86,800 Chinese troops took part in the battles.

A *Domei* report from Yuncheng on June 10 showed that Japan is also fighting the war all over again in southern and western Shansi. Military activity by the Japanese was described as "whirlwind operations against Chinese infiltrations."

The Hua Hsing Bank

(*Continued from page 74*)

What is still more discouraging is that foreign trade with third countries through the medium of the legal tender naturally contributes much towards consolidation of the financial power of the Chiang regime. It is greatly hoped that the Hua Hsing Commercial Bank will exert its utmost for trade promotion to the benefit of the new regime collaborating with Japan.

To Replace Present Currency

If the new institution succeeds in giving full play to its function as a commercial bank, its foundation will be bolstered so firmly that its notes will assert themselves as the domestic currency as well and will replace the old legal tender entirely. Along with the expansion of credit in Central China, the rate of the reserves against the note issues will be reduced gradually and the limit of fiduciary issues will be extended. Further, the relations between the new notes and the yen currency will be readjusted at a proper rate. In case it becomes necessary to promote in a drastic manner foreign trade with third countries, compulsory measures will be taken for control of foreign trade and exchange.

Requiring utmost care is the prevention of unfavorable effects of the new currency system in Central China upon North China. Whereas Federal Reserve Bank notes, linked at par with the yen currency, are stabilized at 1*s*. 2d., Hua Hsing notes in Central China, at par with the legal tender, are quoted at 8d. The depreciation of the latter notes is most likely to affect foreign trade of North China. If exportation of Chinese staples is much promoted in Central China due to the lower quotations of the Hua Hsing notes, foreign trade in the north cannot remain unaffected. Actually, transactions with third countries are conducted even at present at the rate of 8d. at foreign concessions in Tientsin, and smuggling activities are rampant there. And so much so, indeed, that the Federal Reserve Bank has been obliged to strengthen its control over foreign trade and exchange. Inasmuch as North China is now a special area closely connected with Japan, it will not necessarily be affected to a serious degree by the new currency system of the Hua Hsing Commercial Bank. However, it will become absolutely necessary to take some measures or other to readjust the relations between the two different currencies in China.

Yen Notes to Prevail

There are some people who fear that because Central China is virtually excluded from the yen bloc due to this currency policy, Japanese goods will be relayed to third countries through the Hua Hsing Commercial Bank. In fact, however, there is no cause for such apprehension, because dealings with Japan will, and must, be made through the medium of the yen notes under any circumstance.

Last but not least, sound development of the Hua Hsing Commercial Bank is conditioned upon its conciliation and cooperation with foreign interests in China. In view of the current political and economic conditions in Central China, the writer believes in this respect that foreign interests, British and American in particular, will never set themselves recklessly against the new bank and instead will recognize the wisdom of collaborating with it. The inevitable consequence will be that the declining trend of the old legal tender will become all the more accentuated in the future. In this light, the Hua Hsing Commercial Bank must devise effective measures to cope with the new situation after the eventual collapse of the old currency structure.

Although it must be admitted that Japan's currency policy, adopted in haste in North China, leaves much to be desired, the currency measure for Central China under review seems to be the best for coping with the prevailing conditions there.

Prof. Orchard Observes the Vitality of China During Visit to Southwest

THE marked contrast between the China of 1932 and the China of today, and the ability of the Chinese to continue resistance to the Japanese invaders despite their enormous territorial and economic losses, were subjects to which Prof. John E. Orchard of Columbia University devoted a recent radio broadcast address from Chungking to the United States. Prof. Orchard, well-known as a writer on Far Eastern Affairs, and his wife, were in Shanghai last week on their way back to the United States after a trip through west and southwest China.

"A few days ago," Prof. Orchard told his radio audience, "I came from Hongkong to Szechwan province in western China to discover how a nation, deprived of a large part of its territory, its seaboard, its port cities, its principal arteries of contact with the world, its industrial centers, its iron and steel plants, its cotton mills, its arsenals, its major sources of raw materials, and six-sevenths of its railway mileage, can continue to resist an invader.

Accomplishing the Impossible

"The answer is to be found here in Chungking where the impossible is being accomplished daily in a hundred different ways. The city itself is amazing. Perched in the clouds on the hills far above the Yangtsze River, Chungking in the past has been the commercial outlet of Szechwan province. Now suddenly it has become the political center of wartime China, and within a few months of the fall of Hankow the population has increased from a quarter of a million to over half a million. There is inevitable congestion and everywhere buildings are being erected—buildings for government offices, for residences, for factories and for universities.

"Expansion is difficult, since Chungking clings to the sides of the steep hills, and before the buildings can be started level land must be provided. A pervading sound of the city is the clang of the sledge on chisel as the living sandstone is being hewn away by hand for building space or, more ominously, is being honeycombed with a labyrinth of air-raid shelters and galleries. To the rickshaws and sedan chairs, the automobiles and trucks that crowd the streets are added streams of coolies and hand-drawn carts laboriously bringing in the required building materials."

Continuing, Prof. Orchard said that the three provinces of Szechwan, Yunnan and Kweichow are not only the base of political activity, but also the scene of an industrial revolution, although their resources were hitherto almost unknown and they had been practically untouched by modern development. The mineral and industrial resources of the provinces were being studied and factories, hastily moved from the war zone, were being re-erected.

Crucial Days Ahead

"I have visited some of these factories and have marvelled at the manner in which seemingly insuperable difficulties are being overcome. It should be remembered that factory equipment has been transported almost across the width of China, by railway and steamer where possible, but often by river junk or carts over primitive roads." At the same time, the speaker noted, factory industry was being supplemented by handicrafts, which were being revived and encouraged.

Prof. Orchard said he did not wish to create the impression that China's economic difficulties had been solved. On the contrary: "The most crucial days are still to come. It is one thing to continue the self-sufficient economy of these three provinces. It is another thing to call upon the provinces to support an influx of population, provide supplies for an army, and furnish a surplus for export to establish foreign exchanges. This rebuilding of a new economy from within cannot be accomplished overnight. For some time China must have from the outside help to a much greater degree than she has had to the present."

Unconquerable Spirit

The speaker said he found the spirit of the people in Chungking even more impressive than the material achievements. "There is no talk of giving way. There is no talk of asking for peace. Everywhere I have met an optimism and a calm determination to carry on indefinitely. I cannot pay too great a tribute to the morale of the Chinese people of all classes. Out of the war has come a unity that did not exist in China when I was last here in 1932. Provincial and sectional lines are being broken down completely and a national spirit, intense and powerful, is being forged . . . One has the feeling that China is a nation of five hundred millions who refuse to be conquered."

Ex-Red Leader Chow En-lai Surveys Guerrilla Activity in Occupied Areas

THE main theater of Sino-Japanese hostilities has shifted to Japanese occupied areas, Chow En-lai, vice-minister of the Political Training Board of the National Military Council and leader of the ex-Communist Party stated at a press conference in Chungking on May 23 after returning from a four-month tour of inspection in the war zones.

With 85 per cent of her military strength in China engaged in the struggle against the guerrillas, according to General Chow, Japan is endeavoring to put into effect a new strategy: that of subjugating China by the use of China's own resources, both in manpower and economic wealth, Chow En-lai declared.

Besides the intensification of military operations behind their own lines, other measures for the carrying out of Japan's new strategy included attempts at the development of occupied areas, the increase of the production of raw materials, the dumping of Japanese goods, the circulation of bogus notes and the utilization of puppets, Chow said.

Conceding some minor successes to the Japanese, China has on the whole held her ground against the latest assaults. The greater the Japanese effort to "mop up" the guerrillas, the more men China sends into these areas, he said. China is tightening up her blockade against Japanese goods. By propaganda, by the Spiritual Mobilization Movement, she is turning every one of her nationals into an active agent of opposition to the foe.

Nippon Policy Unchanged

No change had taken place in the enemy's fundamental policy of seeking the subjugation of China; but a certain change had come about in the practical steps by which he aimed to accomplish that end, he continued. The tendency of Japanese policy now was to emphasize the exploitation of China's resources in the occupied areas as the means of making up their own losses. This was not to be understood, however, in the sense that they were reconciled to a long war and were preparing to sustain it in this manner. They still expected and aimed at a relatively rapid victory. Partly by force of circumstances and partly in pursuance of this new policy, the Japanese were now using and had been using for the last six months the greater part of their man-power for the purpose of "mopping-up."

It had been estimated that they were now using as much as 85 per cent of their total forces in China in this way. Yet their "mopping-up" operations had proved very largely a failure. This was sufficiently evidenced by the fact that they were ever being obliged to pour in fresh troops where there had already been large forces operating for months. Where they have had any little success it has been due to some weak point on China's side rather than to their strength. For instance, Chow explained, Chinese troops had in some cases proved slow to accustom themselves to the mobile form of fighting in the rear of the enemy, and in other cases they had failed fully to cooperate with people living there.

A Vain Ambition

Turning to the economic policy of the enemy, Chow pointed out that in the earlier stages of the war the Japanese attitude was wholly destructive; they devoted all their efforts to smashing China's industry and blockading her commerce. Now, on the contrary, it was their vain ambition to be in a certain sense constructive, particularly in the areas under their control. For example, at Shanghai and in its environs they were making an attempt, with admittedly a modicum of success, to repair machinery not irretrievably damaged and to revive industry. They were exerting themselves to scrape together what traitor capital was to be had for the purpose. They were also trying to expand the market for their own exported goods. One of their greatest difficulties in the execution of these designs was the scarcity and insecurity of their means of transport: they were therefore striving to improve their lines of communication by rail and water, and to increase shipping facilities in north China by an elaborate scheme for the construction of new harbors. At present their closest attention in this respect was being given to the railway by which it is proposed to link Paoting with the sea coast, and to the Huai-Nan Railway between Hofei and Pengpu in Anhwei Province.

Despite all these efforts, however, they had met with signal failure. A fine example had been told him, Chow related, by an influential foreign friend who mentioned that to his knowledge the Japanese had got less than one million tons of coal out of Chinese territory since the war began, and the greater part of this amount came from the Kailan mines where the coal had to be paid for. The Japanese required as much as ten million tons of coal from abroad every year. How little the occupied areas had contributed to a solution of their coal problem might thus be appreciated. The quantities of other products to which they had gained access were proportionately inconsiderable. The speaker repeated his allusion to the chief reason for this failure to exploit the occupied areas: inefficiency and insecurity of means of transport. The harbor project he had mentioned was originally planned to be completed within four years, but it was not even started yet.

It was not, however, to be denied that in the Shanghai district and in the lower Yangtsze basin generally the Japanese had made some progress in their attempted resuscitation of industry and the marketing of their exports. To counteract this, exclaimed Chow, "we must strengthen our means of destroying, boycotting and blockading the enemy's commerce." There were still, he regretted to say, a number of Chinese ports open to the infiltration of Japanese goods with counterfeit foreign and Chinese trademarks. This must be stopped.

Chow next touched on the enemy's political strategy. Fundamentally, again, this had not changed, but superficially the Konoye Statement had constituted a departure and characterized a new adjustment of the Japanese political posture of beckoning to weak and cowardly elements within Chinese ranks; offering them, as it were, a better handle upon which to depend for an apology when deserting their country's cause. But one solitary individual of any weight had fallen a victim; and with Wang Ching-wei's departure, China had lost nothing substantial, while the enemy had gained nothing at all. Doihara had been heard to lament his failure to secure Wu Pei-fu, a figure he regarded as of infinitely greater caliber than Wang.

Military Aims Obscure

Continuing, the speaker pointed out that the great military change marking the commencement of the present second phase of resistance consisted in the fact that now the future course of the Japanese campaign was totally obscure, whereas previous to the fall of Wuhan the enemy invasion proceeded by stages clearly anticipated by all—after Shanghai, Nanking; after Nanking, Hsuchow, and so on. At present it seemed they themselves had as yet formed no definite plan for a further leap. In all probability they would attempt none but minor "dabs," such as the attacks on Nanchang and Tsaoyang. Their operations in central Hupeh were scarcely distinguishable from "mopping-up" operations, designed to increase their freedom of movement in the immediate vicinity of Wuhan.

Referring to guerrilla warfare, Chow stated that it is not confined to operations conducted by a few units. Guerrilla

One of Chungking's New Fire Breaks

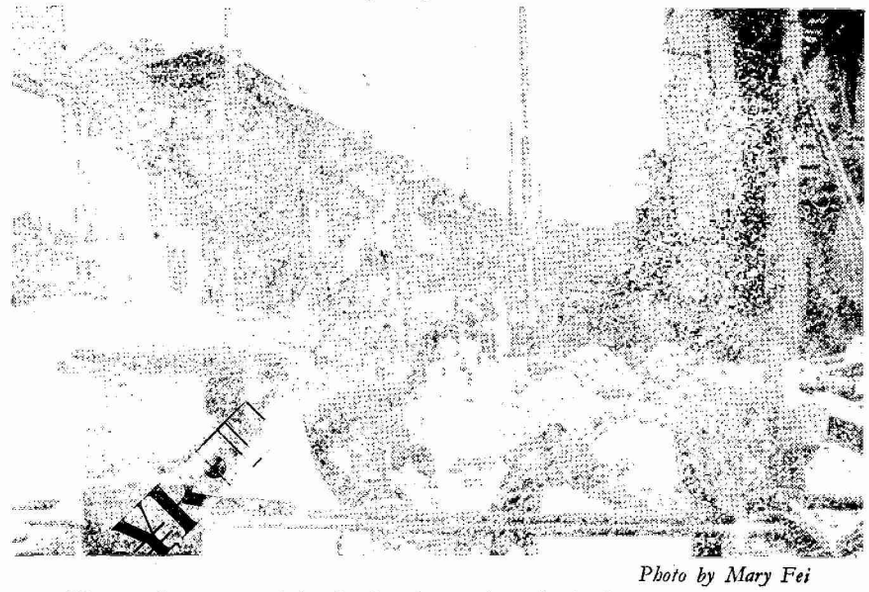


Photo by Mary Fei

Picture shows one of the fire-breaks or "lanes" which are being cut through densely overbuilt Chungking to minimise the damage from fire when Japanese air-raiders drop incendiary bombs on the provisional capital. Property owners complain—perhaps—but the work goes on.

warfare in the second phase of the war, in the opinion of Chow, should mean an all-front campaign in the true sense of the term. It has two important missions, he added, to establish strong bases behind the Japanese lines and to exhaust the enemy. He stressed the importance of establishing such bases behind the Japanese lines. If one base ties up 50,000 Japanese troops, as the Chinese bases at Wutaishan and Chungtiaoshan do, and if Chinese guerrillas have established 20 such bases behind Japanese lines, all the Japanese troops in China would be kept busy and unable to launch fresh attacks.

Trying to convince the correspondents of the possibility of establishing such bases, not only in mountainous areas but also on plains, Chow disclosed that there is a guerrilla base in the Chinkiang-Nanking area where they hold a strip of land 150 kilometers by 50 kilometers. The Japanese have constructed blockhouses five kilometers apart all around the area and no less than one whole division of Japanese troops is used to keep an eye on the Chinese.

Chow expressed disapproval of Chinese counter-attacks on the main cities now under Japanese occupation. If we reoccupy a city for a brief period, he said, and have to withdraw again, it would bring more disappointment to the people than not to reoccupy it at all. The better strategy, he said, is to keep our men at a striking distance and continuously harass the enemy until he is completely exhausted. It does not mean that we will stop where we are, he continued. We will, meanwhile, train our new forces which will be used to deal the enemy a fatal blow when the time arrives.

End of Banditry?

In conclusion, Chow declared that China's whole business now was to prevent any further success of the Japanese "mopping-up" campaigns and to keep on slowly but surely reducing their spheres of control and influence in the so-called occupied areas. In illustrating the fact that this objective had a definitely positive side in addition to the merely negative aspect of throttling the invaders, Chow alluded to a personal experience of his own gained in Anhwei, where he had recently been travelling with only four companions. He had observed that there were no bandits to be seen as in the old days. Even the semi-outlaw Ta-Tao or "Big Sword" Society was extinct. Most of those who were formerly its members were now absorbed into guerrilla units and serving their country, at the same time defending their hearths and freedom. The organization of the people and their enhanced national consciousness resulting from the war had brought about not only the preservation of the government's authority wherever actual garrisons of the enemy troops were not established, but had also induced a general improvement in social conditions and public order throughout the countryside.

New Seattle-Far Eastern Shipping Company Formed

The Everett Steamship Corporation of Shanghai announced last week that a new steamship line has been formed to replace the old American Mail Line, one-time subsidiary of the Dollar Company, on the Seattle-Far East run. The new line will be known as the Pacific Northwest-Oriental Line and was scheduled to start operations on June 7 when the 8,000-ton freighter *Coldbrook* was to leave Seattle for Manila via Shanghai. Three other 8,000-ton freighters are to be operated by the company.

Soaring Prices Cause Tokyo to Shy From N. China Development Plans

WHOLESALE price indices of major commodities in Japan for May, 1939 averaged 166.00 on the basis of 100.00 for 1930, according to a survey of the Tokyo Chamber of Commerce and Industry which appeared in the *Chugai Shogyo* for May 31. This represented a rise of 1.6 per cent as compared with April and 7.0 per cent as compared with May, 1938. The May advance of wholesale prices was led with the 4.9 per cent gain of fibrous articles, followed by a 3.8 per cent rise in fertilizers. It was claimed that prices of foodstuffs declined 1.0 per cent, industrial chemicals 0.4 per cent and building materials 0.3 per cent, while metal manufactures and fuel remained unchanged at the April level.

The *Chugai Shogyo*, Tokyo's leading financial daily, also recently reported that virtual abandonment of the ambitious schemes worked out for the industrial development of North China was under consideration by the Japanese Government. Japan's big trusts had been planning to expend between 700,000,000 and 800,000,000 yen in the immediate future for various industrial, mining and large-scale agricultural projects, including cotton cultivation, but these schemes are now to be officially discouraged, the paper said.

Fear For Prices

The reason for the government's attitude, according to the paper is the fear that "the unleashing of this vast amount of capital inevitably would stimulate the present rise in prices" in Japan.

The Government, according to the daily, holds that "appropriate control measures must be exercised and material available must be used to the greatest possible extent."

These control measures will apparently be linked with other regulations designed to bolster the unsteady and depreciated currency of the puppet "Federal Reserve Bank" in North China.

Officials of the Ministries of Finance and Foreign Affairs and of the Army-controlled China Affairs Board, the journal said, are studying steps further to "moderate" exports of Nippon-made goods to the seized areas in North China, to restrict the flow of capital from Japan to China and to encourage "greater thrift and bond consumption" by Japanese residents in the "occupied territory."

Measures Said Needed

The recent 30 per cent drop in the value of the puppet notes, the daily suggested, clearly demonstrated the need for "urgent corrective measures."

The liaison office of the China Affairs Board in Peiping (headed by Lieut.-Gen. Kita, not unbeknown in these parts) was said to be studying an increase in the number of export goods for which "Federal Reserve Bank" certificates are required.

At present, 12 leading commodities must have such certificates, and this fact, the daily admitted, is "the biggest cause" of the current rise in prices in North China.

"In view of the fact that shortage of materials also is a potent cause of high prices, it also is held necessary to enforce the same economy in consumption that is being practiced at home (in Japan) and to moderate the restrictions on exports to North China," the journal went on.

To Sell Bonds

"One of the main points in encouraging thrift and economy in consumption is the sale of public bonds. However, since they sell extremely well in some points and do not move at all in others, efforts will be made to expand the sale in all regions, to provide a better general balance.

"To discourage the expenditure of yen in North China, the (Japanese) Finance Ministry recently restricted the amount that can be taken out by Japanese citizens to Y1,000 per person. A few days ago it also reduced by 50 per cent the quota of free tobacco and liquor that can be brought into Japan by visitors, in view of the influx of cigarets and spirits purchased in China, and it now is contemplating the reduction of the amount of money per person that can be taken to China to Y500, requiring special permission for any amount above that.

Army Circulating Yen

"Another reason for the over-circulation of Japanese currency in North China is the large expeditures of the army. Although it is impossible for the soldiers at the first line to spend large amounts, since there are no materials for them to buy, considerable is spent by the army in Peiping, Tientsin and other cities behind the lines. It is considered advisable, therefore, to arrange for paying at least part of the salaries of the officers and men at their home barracks.

"Persons going to North China at present are permitted to take with them only Y1,000, unless special permission to take out more is granted by the Finance Ministry.

"Of late, however, it has come to light that many persons are smuggling out currency in excess of the limit. Greater vigilance of customs authorities will be required to put a stop to this practice. There also are views in the Finance Ministry favoring the reduction of the limit of personal travelling expenses to Y500, although no decision has been reached regarding the matter."

More Export Control

Export control restrictions in North China, now imposed upon 12 commodities, will soon be extended to all articles, *Domei* reported from Tokyo June 6. This followed a decision reached by the Economic Affairs Bureau of the Asia Development Board, when means to achieve a basic strengthening of the note issue of the Federal Reserve Bank were discussed.

Shinrokuro Hidaka, director of the Economic Affairs Bureau, presided at the meeting. He made a detailed report of his observations during his recent tour of North China and Mongolia, supplemented by the views of officials of the Asia Development Board on the spot.

Under present regulations, the exports of 12 commodities from North China is prohibited unless the transaction is negotiated through the Federal Reserve Bank at the official rate of 1/2d to one Yuan.

Proceedings of Pacific Defense Meet Kept Secret

Because the proceedings were confidential, the report of the Imperial Conference held recently in New Zealand to consider Far Eastern defense problems was not being made public, Prime Minister Neville Chamberlain declared in the House of Commons on June 8. The conference, the Premier said, was most satisfactory and afforded an opportunity for a frank interchange of views on matters of mutual concern to British territories in the Pacific area.

89-094

Shanghai Prices Soar as Chinese Dollar Slumps to Record Low Level

SHANGHAI this week was in the throes of a serious currency and financial crisis as the Chinese dollar, no longer supported by the Exchange Stabilization Fund established in March of this year with British assistance, dropped to a record low level while prices of both domestic and imported commodities sky-rockted to the embarrassment and hardship of the city's three million residents.

Withdrawal of support for the currency was announced Wednesday of last week from Hongkong and was followed by an immediate reaction on the local exchange market, where the Chinese dollar fell to 7⅛ pence and U.S. 14 2/3 cents by noon. The decline continued throughout Thursday and Friday. On Saturday, a steadier tendency was observable, but on Monday of this week Chinese currency was selling at 6½ pence or a fraction above $7.89 to U.S. dollar.

More Sellers Than Buyers

At the first decline, local banks all but refused to sell foreign currency against Chinese, but a loosening of funds was seen at the beginning of this week, although there continued to be more sellers of Chinese currency than buyers.

The Exchange Stabilization Fund, which has hitherto supported the Chinese dollar, was established in March of this year, to a total of £10,000,000, of which one-half was subscribed by British banks under guarantee of the British Government, and the other half by the Bank of China and the Bank of Communications. A *Domei* message from Tokyo, representing the interested Japanese viewpoint, attributed the action of the Fund in withdrawing support to the alleged exhaustion of the Chinese half of the fund.

Official circles in Tokyo saw the Hongkong & Shanghai Banking Corporation as the prime agent in securing withdrawal of the support, a view to which color was lent by the action of the Bank in refusing to sell foreign exchange against Chinese currency last week. These circles contended, however, that it would be premature to ascribe the withdrawal to exhaustion of the Fund, "because the British bank was possibly motivated by a desire to obstruct the Japanese currency policy and hinder the business of the Hwa Hsing Commercial Bank, newly-established issue bank at Shanghai whose notes are convertible into *fapi* at par and also foreign currencies." They added the belief that the Hongkong & Shanghai Banking Corporation possibly took the step in order to be able to peg the Chinese dollar at a lower rate.

Tokyo Stocks Advance

The Tokyo Stock Exchange reacted sharply to the weakening of the Chinese dollar when on June 9 representative shares rose appreciably after a corresponding decline believed due to the worsening of Anglo-Japanese relations.

In local financial circles three chief motives were said to have guided the Stabilization Fund in its decision to stop selling foreign exchange at the rate which prevailed up to June 6:

1. A desire to discontinue unlimited financing of Shanghai's huge surplus of imports which, in the average of the past two months, absorbed exchange to the amount of more than £2,000,000 monthly.

2. A strong resolution to prevent any further Japanese tapping of Chinese foreign exchange reserves. Of late months, the Japanese had secured exchange from the Fund in unprecedentedly high amounts to finance trade and industry in Central China of their own. Also, the Hua Hsing Bank threatened to appear in the Shanghai open money market as a wholesale buyer of exchange against national currency obtained from the circulation of "Hongkew money."

3. A conviction that the past rates of exchange were no longer in sympathy with the current exchange situation, and that the market must be permitted to establish new and lower rates at a satisfactory level, at which the Fund will be able to resume its intervention.

No Real Stability

The London *Financial News* predicted early this week that the new level of the Chinese dollar would be fixed at slightly above six pence, but warned that it would be unwise to regard the new level of stabilization, when attained, as final. When the Stabilization Fund was created in March, the journal pointed out, the authorities were confident that they would be able to hold the Chinese dollar at 8½d, the rate then fixed, "yet within three months they have been forced to revise their views." The "natural level" of the currency will be liable to change as long as the Sino-Japanese war continues, it was asserted.

Prices of rice, fuel and other necessities have risen steeply. It is understood that if the rice situation should become really serious, the Shanghai Municipal Council will repeat the action it has taken in the past by itself importing the staple and selling it at a reasonable fixed price.

By far the steepest price rises were in respect of imported commodities. Foreign medicines have risen approximately 30 per cent, rubber goods by 10 per cent. The cloth dyeing industry boosted prices 20 per cent. Imported cigarettes and liquors have also risen by 20 to 30 per cent, with bars and cabarets increasing their prices accordingly. The price of beer is thus far unchanged, but an increase is said to be inevitable since the brewing industry depends on imported supplies. Taxis fares have been boosted for the second time since the war started, the rate now being $1.40 for 20 minutes or $4.20 per hour, as compared with $1.20 and $3.60 last week.

Profiteering Rampant

There is evidence in abundance that the slump in the Chinese dollar is being taken advantage of for utterly conscienceless profiteering by merchants and others, both Chinese and foreign, prices being boosted sky-high even in respect of existing stocks. Firms selling expensive equipment here were even known to be refusing to fill orders from existing stocks, preferring to await currency developments, while others were quoting their wares in foreign currencies.

Interesting comment on the currency slump was furnished June 9 and 10 by the local Japanese daily, *Tairiku Shimpo*. The action of the Stabilization Fund Committee in Hongkong, dominated by the British banks, was said intended to halt the outflow of foreign exchange in order to reduce Japan's foreign trade. The foreign banks, the paper asserted, would continue to sell foreign exchange to British traders, adding that British interests were also planning to shift the center of China's foreign trade from Shanghai to Hongkong. Whether this latter plan would succeed was doubtful, the paper said, because Japan is in control of all China's communications. Finally, the assertion was made that Britain is determined not to relinquish her rights and interests in Shanghai and her policy of resisting Japan's aims. Japan must therefore carry on reconstruction work "as the only answer to China's prolonged resistance."

Subsidiary Coin Shortage

The decline in the Chinese dollar has been accompanied by a marked shortage of subsidiary coinage and notes in Shanghai. This week, bus and street-car conducters were often unable to make change and gave tokens to passengers for odd cents due them in change. The same shortage was observable in stores and other establishments.

It was charged by the Chinese press that the shortage in copper coins was caused by the Japanese, whose agents were said to be buying the coinage for shipment to Japan to be used for the manufacture of ammunition. The claim was made that 7,000,000 one-cent pieces had been leaving China every month. To relieve the local small-change situation, the government in Chungking is reportedly arranging to ship a quantity of subsidiary coinage to Shanghai in the near future.

Interviewed regarding the drop in the exchange value of the Chinese dollar, a spokesman for the Ministry of Finance in Chungking declared it to be the fixed policy of the Chinese Government to maintain a currency adapted to the national economy and capable of serving freely as a basis for legitimate transactions. This policy was in no way changed by the action of the Stabilization Fund Committee in Hongkong in temporarily withdrawing support from the market, which action, he said, had the approval of the Government.

Continuing, the spokesman said that there had been a gradually developing lack of equilibrium in China's balance of payments, marked by a considerable rise in imports, many of which are non-essential. Exchange readjustment would help rectify this situation, he declared. There was every reason for continuation of public confidence in the Government's currency policy, he claimed, particularly since further steps were being taken to curtail non-essential imports, to give greater encouragement to exports, and to confine spending to purchases essential for prosecuting the war and reinforcing the national economy.

China's Currency Victory

In a comment on May 30 on the recent sharp slump of the Japanese yen, the same spokesman described the drop as "a victory for the Chinese dollar after almost two years of the Sino-Japanese currency war." He quoted foreign bankers as attributing the slump to inflation of the Japanese currency, the sharp rise in commodity prices in Japan, the drop of the exchange rate of Federal Reserve Bank notes in North China, Japan's military setbacks in China, and the tension in Europe.

"One might say," the spokesman asserted, "that the yen has slumped simply because the Japanese have repudiated their own currency. To finance the China war the Japanese Government has let loose the printing presses to turn out an endless supply of 'red ink' bonds, but as the public could not absorb the bonds, the Government has been forced to issue currency to pay the bills.

"Meanwhile in order to exploit the Chinese territories under military occupation, the Japanese have flooded them with hundreds of millions of irredeemable yen notes and military notes.

"Not only have the notes no adequate backing because Japan's foreign currency

(*Continued on page 84*)

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British Royalty Welcomed in U. S.

AN estimated 3,000,000 people packed streets and vantage points of buildings in New York City last Saturday as King George and Queen Elizabeth arrived to visit the World's Fair as part of the itinerary of their visit to the United States. Their Majesties arrived from Red Bank, New Jersey on the U.S. destroyer *Warrington* and landed at the Battery, from where they motored to the Fair grounds in Flushing, Long Island along streets lined with vociferously cheering multitudes. Press agency dispatches described the mass reception of the British royal couple as the greatest New York had ever accorded to foreign visitors.

Some 15,000 uniformed policemen, apart from numerous plain-clothes men on duty, had been mobilized to keep the huge throngs in check. At the Battery, the King and Queen were welcomed by Governor Herbert Lehman of New York and Mayor Fiorello LaGuardia while a 21-gun salute was being fired. At the Fair grounds they were greeted by Grover Whalen, organizer and director of the Fair.

Washington Welcome

The royal visit to New York followed the arrvial of Their Majesties in Washington, D.C. on June 8 at the conclusion of their tour of Canada. At Niagara Falls railway station, the border line between Canada and the United States, they were welcomed by Secretary of State Cordell Hull, who accompanied the royal party to Washington in the special train which the King and Queen used for their Canadian tour. They arrived at Union Station in Washington at 11.59 a.m. the same day. President and Mrs. Roosevelt were on hand to welcome the royal pair and escort them to the White House, where they stayed as the guests of the Chief Executive and his wife. It was the first time a reigning British monarch had set foot in the United States.

At a brilliant state banquet in the White House that evening, King George and President Roosevelt exchanged toasts and pledged themselves to maintain the strong ties of friendship between Great Britain and the United States, a pledge which both coupled with a plea for the preservation of world peace.

Far East Mentioned

According to a *United Press* report of the function, President Roosevelt unexpectedly brought Anglo-American collaboration in the Far East into the spotlight by citing joint Anglo-American control of the stragetic Canton and Enderbury islands as an example of how nations could solve disputes without resort to war. The President's remarks on this subject, the agency said, immediately induced widespread unofficial speculation as to possible closer Anglo-American collaboration to establish a less precarious balance of power of the Pacific.

President Roosevelt's toast carried broader implications that that of his guest, but King George said: "I hope our great nations may ever in the future walk together on the path of friendship in a world of peace."

On the afternoon of June 8, the King and Queen received members of the British colony and prominent Americans at a Garden party in the British Embassy. In the evening they gave a dinner at the Embassy in honor of President and Mrs. Roosevelt. Earlier in the day they visited the Washington navy yard where they boarded the President's yacht *U.S.S. Potomac* and sailed to Mount Vernon where they placed a wreath on the tomb of George Washington. After luncheon aboard the yacht, they returned to Washington and laid a wreath on the tomb of the Unknown Soldier, also visiting the Civilian Conservation Camp at Fort Hunt.

Rest at Hyde Park

At 11.30 p.m. they boarded the royal train for New York, arriving at Red Bank, N. J. the following morning en route to the World's Fair. Sunday was spent at President Roosevelt's Hyde Park estate on the banks of the Hudson River to enable the royal visitors to rest up from the strenuous round of engagements.

According to rumors circulating in Washington, King George has invited President Roosevelt to pay an early visit to England, but there was neither official confirmation nor indication that such an invitation would be accepted.

Welcoming the King and Queen of England

The caption on the upper picture reads "Hands, Yes" and on the lower "Arms, No." The two are reproduced from a recent issue of the Chicago Tribune.

World's Gold is Still Flowing to the U.S.A.

Gold to the value of U.S.$52,000,000 entered the United States last week, according to an announcement by the Treasury Department in Washington. Of this amount, more than U.S.$30,000,000 came from Great Britain, nearly U.S.$10,000,000 from Holland and more than U.S.$5,500,000 from Japan. The gold stocks in the United States have now reached the huge figure of $15,000,000,000, according to a *Havas* report.

Shanghai Prices Soar

(*Continued from page 83*)

reserves are practically exhausted, but they run the risk of being repudiated or devalued by Japan when the war is over, as happened with the Japanese notes in Manchuria following the Russo-Japanese war," he continued.

"In other words, the slump of the yen in Shanghai represents what the world market thinks of the intrinsic value of the yen—that is, the value is lower than of the Chinese dollar."

China Dollar Intact

Referring to the slump of the F.R.B. notes, he pointed out that even where the Chinese armies had withdrawn the Chinese national dollar was intact behind the Japanese lines.

"The present predicament betrays the utter failure of Japan's currency scheme in North China," the spokesman claimed.

"In this guerrilla currency warfare, the Japanese have found no way out. No wonder the F.R.B notes have been unable to compete with the national dollar, still less supplant it."

Repeating the Chinese financial circles' view that the Hwa Hsing Bank is a wedge to force Japanese control of the financial system centered at Shanghai, the spokesman emphasized that the move "betrays clearly the mounting Japanese financial difficulties as she approaches the end of her rope."

89-096

THE
CENTRAL BANK OF CHINA

A BANKERS' BANK

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Outstanding Events in the Sino-Japanese War A DAY-TO-DAY SUMMARY

First installment of this day-to-day summary constituting a complete record of outstanding events in the Sino-Japanese war on all fronts appeared in the September 11th (1937) issue of the Review.

May 28

Chinese civilians killed during Japanese bombing raids before the end of March totalled 29,020, according to **United Press** quoting official statistics made public in Chungking. The wounded during the same period amounted to 41,585. A total of 7,095 bombs dropped during 3,935 raids had destroyed 100,688 houses by March 31, according to the same announcement.

The German liner, **Sauerland**, halted and boarded by Japanese naval party 17 miles outside Hongkong harbor on May 24, according to information received by German Consulate-General in Shanghai. Registration papers and other documents of the vessel examined.

Japanese troops and military headquarters in northern Kiangsi bombed (yesterday) by Chinese air squadron, reportedly resulting in many casualties. Chinese planes also raided Ningwu and Sohsien in northern Shansi. Japanese planes attacked Loyang and Chengchow in Honan.

Chungking denied Japanese reports alleging that Gen. Chen Yi, Chairman of Fukien, had been arrested on undisclosed charges.

***

May 29

There will be no repetition of Japanese naval action similar to that which occurred last week outside Hongkong, where three foreign vessels, the **Ranpura, Aramis** and **Sauerland**, were stopped and boarded by Japanese naval parties, the Japanese naval spokesman in Shanghai declared at press conference.

Fighting renewed between Chinese guerilla forces on Minshan mountain south of Kuling and Japanese troops. The Japanese employed heavy artillery against the stubborn guerilla units, who recently recovered first and second line positions from which they were driven earlier. Chinese troops along Kiukiang-Nanchang Railway attacking the Japanese in order to divert their attention from Minshan Mountain.

After the collapse of the Japanese offensive in Northern Hupeh, a lull has returned to the Chinese war fronts, with neither side making any major move, according to field dispatches reaching Chungking.

The Japanese forces in China are planning systematic destruction of the entire city of Chungking, according to statements made by two Japanese aviators captured in Chungking after being shot down during Japanese raid on May 25.

To make uniform public references to Gen. Chiang Kai-shek, the Generalissimo will henceforth be addressed by his official title of Tsung Tsai (Chief Executive of the Kuomintang), according to an order issued by National Government. Hitherto Gen. Chiang has been referred to mostly as Chairman of the Military Affairs Commission.

***

May 30

Chungking authorities claimed that the big Japanese drive, launched four weeks ago against Hsiangyang and Fancheng, strategic towns on the banks of the Han River 175 miles northwest of Hankow, had completely collapsed. Chinese dispatches claimed that after a desperate battle, in which the Japanese suffered 20,000 casualties, Japanese troops had begun to withdraw for reorganization. Chinese forces are attacking Chungtsiang, on east bank of the Han River, on the main highway between Hankow and Ichang.

Japanese war casualties in China up to the present placed at 870,000, according to unofficial estimate by Chinese circles in Chungking.

The American, British and French ambassadors to China, Nelson T. Johnson, Sir Archibald Clark Kerr and Henri Cosme, met at the residence of Sir Archibald in Shanghai on May 29. Meeting of the three envoys said no official conference but merely exchange of courtesy calls.

Gen. Feng Yu-hsiang severely castigated Wang Ching-wei in speech at Chungking. Wang likened to "a piece of decomposed flesh, which must be cut off in order to let healthy flesh grow."

***

May 31

Japanese forces in Central Hupeh said retiring from Chungtsiang due to repeated Chinese attacks. Hsinchi, five miles north of Chungtsiang, reported recaptured by the Chinese.

Chinese civilian casualties from the four Japanese air raids on Chungking on May 3, 4, 12 and 25 totalled 9,800. Of the number of wounded, 2,000 said to be serious cases.

Commenting on the Japanese estimate that 59,000 Japanese have been killed in the Sino-Japanese war, Chungking military spokesman remarked: "Probably that figure represented the number of

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Who's Who in China

Hsiao Wu-chuan, painter and calligraphist; born at Hengyang, Hunan, 1865; since his early age, he has developed a keen inclination for calligraphy and painting; as a result of many years of intense researches in these two great Chinese arts, he has achieved a high standing, which is now universally recognized in China; in the

蕭厓泉字俊賢

Hsiao Wu-chuan (Hsiao Chun-hsien)

closing years of the Ching Dynasty, he taught Chinese painting in the Niangkiang Normal College of Nanking for several years; after the establishment of the Republic, he has taught successively at the Arts College of the Peking National University, the Nanking Arts College and other art institutions in country; in his devotion to arts, he declined several offers of governmental posts; in his painting he has acquired a style which rivals the celebrated painters of the Sung and the Yuan periods; address: 230 Rue Chapsal, Shanghai.

---

the Japanese killed in the Nanchang and North Hupeh fighting alone."

The American Baptist Mission at Chengchow, Honan, bombed by Japanese planes on May 26, according to information received by the American Embassy at Chungking.

Shanghai facing acute shortage of nickel and copper coins due to Japanese hoarding of both metals for export to Japan.

Nelson T. Johnson, American Ambassador, left Shanghai for Hongkong en route to Chungking.

The ban imposed by the Shanghai Municipal Council on four Chinese language papers, the **Ta Mei Pao, Wen Hui Pao, Chung Mei Jih Pao** and **Yih Pao** lifted.

Gen. Chow Chi-jou appointed commander of the Chinese Air Force in succession to Gen. Chien Ta-chun.

A foreigner, believed British, detained by the Japanese at Kalgan, according to Japanese report received in Peiping.

Japanese reinforcements of unrevealed strength landed at Amoy; situation at Kulangsu unchanged for better or for worse.

*
**

June 1

Chinese planes active on the Nanchang front, where Japanese positions and military establishments repeatedly bombed lately.

Chinese reports from Shansi claimed that some 15,000 Japanese troops which attacked the Chinese troops on Shansi-Chahar in the latter part of May were completely routed.

A virtual ultimatum, demanding custody of alleged Chinese assassins responsible for the killing of S. G. Chen, pro-Japanese official in Tientsin on April 9, presented yesterday to the British consular authorities in Tientsin by the Japanese Consul-General, Hikozo Tanaka. June 7 set as deadline for the handing over of the alleged assassins.

The Japanese authorities in Shanghai have instructed the Shanghai Maritime Customs to enforce the Japanese ruling ordering the close of nine coastal and Yangtsze ports to shipping from Shanghai.

*
**

June 2

May described by Chungking military authorities as most successful month for Chinese, because of successful Chinese counter-attacks in Northern Hupeh and Southern Honan. From May 16 to May 31, an official communique stated, the Japanese suffered 21,416 officers and men killed in 422 engagements on all fronts.

Chungking denied the Japanese report on "wholesale arrests" on May 25 and 26 of Wang Ching-wei's former associates in the government.

Fukien said fully prepared to repulse any Japanese attack, declared Chairman Gen. Chen Yi. Any Japanese attempt to land anywhere along the Fukien coast would be met with stubborn Chinese resistance, Gen. Chen said.

The American Ambasador Nelson T, Johnson arrived at Hongkong from Shanghai on way to Chungking.

The foreigner detained by the Japanese at Kalgan identified as Lt.-Col. C. R. Spear, British military attache, who entered the city following an alleged trip through Chinese lines recently. The British Embassy at Peiping had sent two officials to Kalgan to investigate the case.

With the purpose of promoting closer economic and financial relations between Great Britain and China, a new agency was created at London entitled "The Chinese Government Trading Commission" with Dr. P. K. Kuo as director.

The Japanese have had a terrible time in North China, said W. V. Pennell, editor of the **Peking and Tientsin Times**, writing for the June number of the **Oriental Affairs** in Shanghai. Japanese methods in dealing with Chinese guerillas said a failure. In Hopei, only two **Hsien** actually controlled by the Japanese.

Legion Commander Avers 'Yanks' Will Fight Again

"We sincerely hope that there will never be another world war, but should this be forced upon us you will find the Yanks in the first-line trenches side by side with you," Thurman B. Hyde, commander of the Frederick Ward Post of the American Legion, declared at a reception June 8 given by the British United Services Association, Shanghai, to members of the American Legion and all American ex-servicemen and their wives in commemoration of the visit of King George and Queen Elizabeth to the United States and to mark the King's birthday.

The event was held in the dining room of the Race Club, with the band of the 1st Battalion, Seaforth Highlanders, in attendance. A. H. Atkins, chairman of the United Services Association proposed a toast to the President of the United States and the above-quoted remark by Commander Hyde was made in a responding speech, being greeted with loud cheers.

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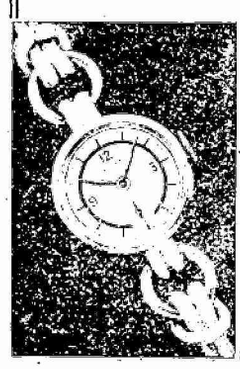

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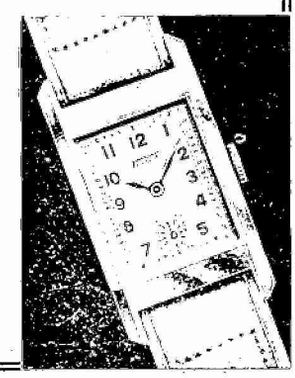

89-099

Men and Events

Home on Leave

A. B. Henningsen, manager of the firm of Getz Brothers and Company, importers and manufacturers' agents, departed for the United States last week on leave. He was accompanied by Mrs. Henningsen and their children. Mr. Henningsen is also president of the Bakerite Company. In addition to his business activities, Mr. Henningsen is a director of the American Chamber of Commerce and a member of the General Committee of the American Association. He is also head of one of the special committees of the Association and has been active in the affairs of the community generally. While in the United States, Mr. and Mrs. Henningsen will make their headquarters at Gearhart, Oregon.

*

Dr. Lin Yutang, China's best known author, was one of the speakers at the three-day world congress of writers which met at the New York World's Fair under the auspices of the International P. E. N. (poets, playwrights, essayists, editors and novelists). There were 57 delegates present, including exiles from axis states and Spain. According to a report of the meeting Dr. Lin Yutang "spoke better English than some of the Americans."

*

The Japanese newspaper *Tairiku Shimpo* reported on Thursday of last week that the local Japanese military court had ordered the execution of one Chinese and had passed a sentence of two years on another, following conviction for having stolen Japanese military telephone wires. The man who was executed was named Chiu Chang-ta and the one sent to prison was named Chin Chih-yung. Both were residents of Nantao.

*

It was announced in the House of Commons on June 9 that the Chinese Government had forwarded to Marquess of Zetland, Secretary of State for India and Burma a proposal for establishing a railway connection between Burma and Yunnan province. Lieut. Col. Muirhead, Under-Secretary of State for India and Burma, in reply to a question, said that China's proposal "was not sufficiently specific to enable a decision to be taken at present . . . . . however, all proposals for a connection would receive fullest consideration by military advisers to the British Government as well as the Governments of India and Burma."

John B. Sawyer, American Vice-Consul, accompanied by Mrs. Sawyer and their daughter Josephine, departed last week on a two months' vacation which they plan to spend in California and Oregon.

*

Thomas Dodsworth Adams, who is connected with Imperial Chemical Industries, Ltd., was married on Friday, June 9 to Miss Barbara Rich, daughter of the late George F. Rich and Mrs. Rich, of Berlin, New Hampshire. Mrs. Rich and her daughter have resided in Shanghai for sometime. Dean Trivett of the Cathedral officiated at the wedding. The honeymoon is being spent at Unzen, Japan.

*

William B. Curts, 20-year old American student at the University of Munich, Germany, is confined in a Nazi prison at Heidelberg, because he wrote a four-line verse satirizing the Hitler Government. He wrote the verse in the register of a German hotel. Bestor Robinson, of Oakland, California, who is guardian of the young man, was notified by the State Department that an effort was being made to obtain Curts' release.

*

Mrs. Franklin D. Roosevelt, wife of the President, believes that the "war idea" is obsolete, but, "much as we may dislike to do it, it may be necessary to use the forces of this world in the hope of keeping civilization going until spiritual forces gain sufficient strength everywhere to make acceptance of disarmament possible..." This appeared in Mrs. Roosevelt's syndicated column which is published in dozens of newspapers over the country. The statement was made in reference to the question of "moral rearmament" which is now being pushed by the Oxford Movement. Referring further to the use of force and war, Mrs. Roosevelt expressed strong disapproval of the so-called Ludlow amendment proposal that a national referendum should be held before the United States could engage in war. She said it would reduce America to an "oyster-like" existence. "I am not sure it is always right to be safe," she declared. One of Mussolini's newspapers recently said that Mrs. Roosevelt "was a bad influence because she talks and writes too much." On the other hand, Hitler's official newsagency *D. N. B.* criticised Mrs. Roosevelt's democratic spirit exemplified in her inviting negro singers to appear at the White House at a concert given for the King and Queen of England. Hitler also charged that Mrs. Roosevelt recently attended a Communist meeting. The meeting which she attended was a national Workers Congress held in Washington and was not communistic.

Five grocery stores owned by Chinese at Kingston, Jamaica, were looted by bands of unemployed workers in that city on June 6, according to a report by *United Press*. Food and money were taken and the proprietors beaten. Other Chinese stores in the city were closed and barricaded. The police finally suppressed the rioters and arrested six of the leaders.

*

Shigenori Tashiro, Japanese Consul-General at Tientsin, will shortly be appointed Vice-Minister of Foreign Affairs of the puppet state of Manchukuo at Changchun. The Report, from Tokyo, stated that Japan was planning to "raise" the Manchukuo Bureau of Foreign Affairs to the status of a "Foreign Ministry." Tashiro will be succeeded at Tientsin by Yoshio Muto, now first secretary of the Japanese Embassy in London.

*

Five Chinese men and one woman were arrested and 61 packets of heroin were seized in a police raid on a straw hut located near Tonquin Road. The proprietor of the hut, a Japanese, was not on the premises when the raid was made. The Municipal Police who made the raid were accompanied by two Japanese one a Municipal policeman and the other a Japanese consular police officer. It was claimed that the place had served as a center for drug traffic for sometime.

*

President Roosevelt's mother acted as chief hostess at an exhibition and sale of Chinese art objects which opened in New York on June 6 and remained open until June 11. The art objects were donated from private collections in Shanghai and Hongkong and sent to New York for exhibition and sale, the proceeds to be used for the purchase of medicines for sick and wounded resulting from Japanese military activities.

*

The Church Committee for China Relief, a cooperative religious group consisting of Protestants and Catholics which was organized several months ago for the purpose of raising funds for civilian relief in China, has raised the sum of U. S.$268,709, according to a report in *Time Magazine* on April 17. The Committee was organized by John R. Mott, former head of the International Committee of the Y. M. C. A. The report stated that the Rev. George W. Shepherd of Auburndale, Mass., who gave up his work as a missionary in China to become an adviser to General Chiang Kai-shek, is now in the United States lecturing on behalf of the Church Committee, "which is remitting relief funds to China at the rate of about U. S. $10,000 a week to be distributed by Protestants and Roman Catholics.

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Gloria Stuart, Hollywood actress, connected with 20th Century Fox studios, arrived in Shanghai on Monday of this week for a brief visit. She was accompanied by her husband, Arthur Sheekman, who is a scenario writer. From Shanghai Miss Stuart and her husband will proceed to Europe by way of Hongkong, Indo-China and Netherlands Indies.

*

Dr. T. T. Li, former director of the department of Intelligence and Publicity in the Foreign Office at Chungking, departed this week for Hongkong on his way to Havana, Cuba where he will serve as Chinese Minister. Dr. Li has been connected with the Foreign Ministry of the National Government for many years and is widely known.

*

Dr. Daniel C. Fu, Secretary of the National Committee, Y. M. C. A., Shanghai, who is now lecturing in the United States, spoke at the First Baptist Church in Kansas City on April 23 on the subject of the new era in education in China which is concerned with the teaching of simplified language to illiterate persons. Mr. Fu attended William Jewell College, Liberty, Missouri and later the University of Chicago where he received the degree of Master of Arts. While in Kansas City, Mr. Fu was the guest of Dr. M. D. Eubank, formerly connected with the missionary work of the Baptist Church.

*

The U. S. S. Astoria sent up four scouting planes which searched 150,000 square miles of the mid-Pacific on the cruiser's return voyage to the United States in a futile attempt to locate the missing junk containing the writer Richard Halliburton and party. Upon arrival at San Pedro on June 11 the officers of the Astoria stated that all hope of finding Halliburton had been abandoned. Halliburton's junk, in which he and a party of young Americans were attempting to cross the Pacific from Hongkong to Treasure Island, San Francisco, disappeared in the vicinity of Midway during a heavy storm. The Astoria had instructions to make a thorough search for the missing writer.

*

A well dressed Chinese youth named Chang Kyi, only 17 years old, was sentenced to three years' imprisonment in the First Special District Court on Saturday, June 10, on a charge of seducing a 15-year old Chinese girl student. Chang had met the girl at a local skating rink and, according to the evidence, had seen her several times afterward and recently, after an evening at a cabaret, had taken her to a hotel where they remained for three days. A friend of the girl, who knew that Chang was responsible for her disappearance, had notified the police in the French Concession. Another Chinese youth, named Chuh Wen-ling, 18 years old, was ordered to pay a fine of $40 or spend 40 days in jail, for striking a six-foot foreign detective sergeant. The detective, D. S. Turner of Louza station, had visited Chuh's room in connection with a dispute over non-payment of rent.

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William Morris, former managing director of the British-American Tobacco Company and now London director of that concern, has returned to London following a trip to the Far East. He was accompanied by Mrs. Morris.

*

Chen Chin-tao, 68 years old, Governor of the Hua Shing Commercial Bank, died at his home on Darroch Road, Hongkew, on Monday morning, June 12. His death was due to a kidney ailment, according to *Domei*. Mr. Chen recently served as Finance Minister of the Nanking "Reformed" Government. He had held office under the old Empire and first president Yuan Shih-kai. Mr. Chen received his education at Queens College, Hongkong, Yale and Columbia.

*

The Commander-in-Chief of British naval forces in the Far East, Admiral Sir Percy Noble, has invited the commanders of French forces in the Far East to visit and inspect the British naval base at Singapore. The French officers receiving the invitation included, Vice-Admiral Decoux, Commander-in-Chief of French forces in the Far East; Lieut. General Martin, Commander of French troops in Indo-China and Col. Defeze of the French Air Staff.

W. Stark Toller, British Consul-General at Chungking, departed from that city on June 12 on his way to Shanghai where he will serve as Acting Chinese Councillor of the British Embassy, Mrs. Tollar, who has also been in Chungking, is accompanying Mr. Toller to Shanghai. H. L. Prideaux-Brune, Acting Chinese Councillor at Chungking will now become Acting Consul-General.

*

A mob allegedly instigated by Nazi, Italian, Japanese agents and Spanish Falangists rioted in threatening manner before the American Embassy in Mexico City on June 9, according to *United Press*. The mob, consisting of some 200, was led by Joel Torres, an anti-Jewish agitator. The mob leaders alleged that Americans were responsible for the death of Sr. Francisco Sarabia, noted Mexican speed aviator, who recently flew from Mexico City to New York. Unfortunately, Sarabia was killed when his plane took off for the return trip, the cause of the accident being due to overloading of the plane with gasoline. Torres, leader of the mob, and 25 other persons have been arrested for participation in the demonstrations.

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SHANGHAI

Wen Shih-tsun, Mayor of Tientsin, under Japanese domination, has issued an order "urging" that all municipal officials give up opium smoking and take the cure under competent medical supervision. Severe punishment will be meted out to those who resume the habit after taking the cure.

•

Bethel College, North Newton, Kansas, was host to a number of experts on Far Eastern and other world problems who met at the college under the auspices of the Kansas Institute of International Relations. The Institute met on June 4 and was scheduled to remain in session for ten days. The general subject was "Peace and Democracy are Indivisible." Among the speakers was Dr. T. Z. Koo, secretary of the World Christian Federation who was scheduled to talk on the subject, "China's Struggle for Democracy."

•

Chen Lin-mei, employe of the Shanghai Commercial and Savings Bank, a local Chinese lawyer and a cabaret girl named Miss Sheng Li-li, appeared in First Special District Court on June 2 charged with fraud involving the sum of $10,000. The money was in the form of American bank-notes. According to the report, Chen requested the native bank to remit the the sum of $10,000 in American notes. When the money was received he slipped out the side door of the bank and disappeared. Later he wrote friends that he was living in an outport within the Japanese lines. However, the police discovered him living with the cabaret girl on Avenue Road in the Settlement.

•

The new Japanese Ambassador to the United States, Kensuke Horinouchi, delivered an address before the Los Angeles Chamber of Commerce shortly after his arrival in which be declared, "As for the military occupation of China, I believe our major task is about completed. It is probable that we will not maintain a very large army in China. Normal trade will be resumed as soon as the military operations are concluded." Mr. Horinouchi is 53 years old and has been in the diplomatic service 28 years. He was embassy secretary in London in the World War and was Consul-General in New York from 1931 to 1934.

•

Grover Cleveland Bergdoll, who fled from the United States to escape the draft in July, 1917, and has since resided in Germany in order to avoid prosecution, has returned to the United States and surrendered himself to the authorities. He was taken from the liner Bremen as the ship entered New York harbor on May 26 and was lodged temporarily in the prison on Governor's Island. Bergdoll, who is a millionaire, recently announced he would rather live in prison in America than reside in present day Germany. He now faces a prison term of five years. Bregdoll's family resides in Philadelphia.

•

Harry Bridges, organizer on the West Coast for the C. I. O. and for many years head of the Longshoremen's Union, must appear in San Francisco on June 26 for a hearing on deportation charges. Bridges, who is an Australian, has been accused of membership in the Communist Party, which is a deportable offense for an alien. Bridges has resided in the United States for several years, had taken out his first citizenship papers on two occasions but never completed the legal formalities. Recently he made another application for citizenship, apparently in an attempt to escape deportation. A congressman brought impeachment proceedings against Secretary of Labor Perkins on the ground she had protected Bridges, but the action was defeated.

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New Books of Interest in the Far East

The Chinese Government

GOVERNMENT IN REPUBLICAN CHINA—By Paul Myron Anthony Linebarger. McGraw-Hill Book Company, New York.

Dr. Paul M. A. Linebarger, of Duke University, son of the late Paul M. W. Linebarger, biographer of Dr. Sun Yat-sen, gives us the evolution of government in Republican China, step by step, from the beginning of the era in 1911 until 1937.

We are first of all told the peculiarities of old China, with its adequate political system, where the people lived primarily under the dominance of non-political agencies, such as the family, the village and the guild (the *hui*). The Chinese sought to "guide men through the guidance of their ideas: government by education, or government by propaganda, which led to a profound uniformity of thought, and was in accord with the dictates of the Confucian tradition." With new China coming on the scene, the hierarchy of scholars gave way to ideological movements, the armies took the power which goes with military force, along with economic power, and the governments came along with little power until after 1928.

The author then develops these factors in modern China. Confucianism owes its place "to the fact that it has provided a frame of reference for the political struggle." Nationalism went through an anti-Manchu phase, a revolutionary modernist phase, and a republican phase before it came to a constitutionalist phase. Dr. Sun Yat-sen's theories of nationalism, democracy, and *min sheng* had to struggle against other propagandas, and the battling creeds which struggled for power after 1927 sometimes seemed to be powerful antagonists. The United Front did not appear until 1937, and was due then to Japan and her Pan-Asia idea and active aggression. Dr. Linebarger feels the Japanese have contributed practically nothing to the ideological conquest of China; their theories being but a drop "in the sea of doctrines."

Throughout the history of warriors in China the problem of the armies has been the problem of economic and financial development, and so long as there was military rule, before the establishment of the Nanking government in 1927, economic life and financial projects were jeopardized. "Militarism (age of the war lords) machine-gunned the Confucian ethics out of politics; it taxed the land into ruin; it laid China wide open to imperialistic thrusts, and made her a poor market." Along with the new military method, with the military becoming subordinate to the problems of ideology and government, came great technical improvements, organization of Nationalist armies into real national units, among other changes. And aviation made sensational progress, particularly after the arrival in 1932 of an American aviation mission to help train the Chinese air force. War has had a most distressing effect on the Chinese farming masses, and agrarian economy has received benefit only since the ending of the *tuchun* system.

The three chief periods of government in China are discussed: the pre-history to 221 B.C., the imperial, and the Republican periods. During the older periods of government, the Confucian ideology persisted, and the family, village and *hui* comprised the whole known world. "The governmental superstructure kept the Chinese world together in a formal manner; it did not give it vitality." The revolutionary era and the reconstruction, building up the present form, well-known to people in China, is clearly outlined.

Some of the author's conclusions regarding one of the most amazing transformations in the world's political experience are: The ideological change is not complete; no Western idea can enter China unimpaired. Chinese society may be shattered in dogma, but it persists in fact. For modern government, the Chinese have their own experience to rely on, and Western prescriptions. Territorial sovereignty is China's most important problem. The question of economic sustenance and development is pressing. They must recognize the need for politicalization of public opinion. The army problem must be solved. The Chinese state must be constituted as a clear and legal entity. That the Chinese will survive, biologically, as a race, no one doubts. That the Chinese will survive culturally is more open to question. China's modern invaders bring with them a veritable cult of national self-aggrandizement. Their fondness for the Chinese past is mixed with contempt for modern China. Will the Chinese preserve their national equanimity and sanity in the face of such an attitude? Much depends upon their military and political fortune and its effect upon their confidence.

Although several books on the subject have been written by Chinese, this is probably the first to be written by a Westerner. It is important not only for its objectivity but also for its ideological backgrounds.

M. V.

Christians in India

DR. IDA: INDIA. The Life Story of Ida S. Scudder—By Mary Pauline Jeffery, M.D. N.Y., Fleming H. Revell Co., 1938. 212 pages, illustrated. U.S.$2.00.

OUT OF THE EAST: INDIA'S SEARCH FOR GOD.—By William Arthur Stanton. N.Y., Fleming H. Revell Co., 1938. 192 pages, illustrated. U.S.$1.50.

These two books are studies of the influence of Christian work and personality in India. The first book is the story of an American woman doctor, the second a record of Indian men and women to whom Christianity has meant a break with the past and a new vision of brotherhood and service. It is readily seen what a difference in background separates the two books. Yet there is an essential unity, for both the western woman and the Indian Christians are constructive forces in breaking down the barriers which exist between castes and in bringing a new life to the women of India.

Dr. Ida Scudder is a remarkable woman. The child and grandchild in a missionary family which first went to India from the United States in 1819, she was early awakened to the needs of the Indian women. In the days when women medical students were few, she studied in America and returned for her work in India in 1900. She has been associated with changes in Indian custom, atmosphere and education. Her medical work in the villages, her dispensaries by the roadsides and her hospital in Vellore, Madras Presidency, were but the forecast of an indigenous medical personnel in the Medical College for Women founded by Dr. Scudder. This college is a heartening record of Christian internationalism, with its Board of Governors representing seven denominations in America and four in Britain.

The author, Dr. Jeffery, is a member of the college staff. Dr. Scudreds'

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In the United States Court for China

ALEXANDRA GIMENEZ *Plaintiff* vs. ANTONIO GIMENEZ, *Defendant.*	Cause No. 4411 Civil No. 2290 ORDER. Filed at Shanghai, China, June 5, 1939. WILLIAM T. COLLINS, *Clerk.*

The object of this suit is an action for divorce.

WHEREAS, plaintiff herein, by her attorneys, has this 5th day of June, 1939, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the 5th day of June, 1939, the summons for defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court"; and

WHEREAS, it appears from the files in this case that on the 5th day of June, 1939, the plaintiff herein filed an affidavit to the effect that the defendant does not now reside in China, nor has he resided therein since the past five years, and that defendant's last known address was 92 A Lake, San Juan, Rizal, Philipines Islands.

NOW, THEREFORE, it is this 5th day of June, 1939, ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the China Weekly Review, a paper of general circulation most likely to reach the defendant.

IT IS FURTHER ORDERED that the defendant cause his appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occurring after the 24th day of June, 1939, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

BY THE COURT:
Dated at Shanghai, China, this 5th day of June, 1939.
MILTON J. HELMICK,
Judge.

biography in her hands has become also the story of Indian women's progress during the past fifty years.

Dr. Stanton's book presents some of the great Christian personalities of India against the background of the religious history of their country and the religious gift of the Indian people. But the value of the book does not lie in this historical interpretation. The value is in the simply told stories of individuals wiping out the barriers of race and creed. There are the stories of the Christian social leader, Kali Charan Banwiji, and the patriot-poet Narayan Vaman Tilak, both Brahmans. To many westerners the Sikh Sadhu Sundar Singh, who made several trips to the West, was the best known of the Indian Christians. Dr. Stanton gives a sympathetic account of this great Christian mystic. There are stories, too, of the more humble people—Indian men and women, high caste and low caste, pariah, master and slave—who have been part of the Christian movement in India.

Dr. Stanton worked for forty years in India, and his book shows the results of the Christian way in India's search for God. Both of these books have a special value for those interested in Christian missions, but more than that they present information and a point of view which can claim the attention of every person who gives thought to the forces that are vital today.

F.M.R.

Soviet Purger Purged for Making False Accusations

A revealing commentary on the purges in Soviet Russia, in which tens and perhaps hundreds of thousands—from the highest officials to the lowliest workers, even including children—have lost their jobs, their liberty or their lives, was contained in a *Havas* report from Moscow this week, which stated that the supreme court in Kiev had sentenced a teacher named Spitckaka to 15 years' imprisonment for bringing false accusations.

In a period of five years, the report said, Spitckaka falsely accused about 100 persons of counter-revolutionary activities.

The court which tried him also reversed the decision of a lower tribunal in the case of a student of the Kiubysheff school of propaganda, who had been sentenced to five years in prison for "anti-Soviet agitation." An investigation showed that the only anti-Soviet activity of the youth had been "to ask his teachers very difficult questions," the *Havas* report said.

Worms Steal Children's Strength.

When a child is thin and weak, has a fickle appetite, or wants to eat all the time but fails to profit from good wholesome food, it is probable that worms are sapping the nourishment that he should be getting. In such cases a few doses of Baby's Own Tablets are usually all that is needed to expel the parasites, after which the child quickly recovers normal appetite and begins to thrive.

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89-104

China Has Lost 70% Of Textile Capital

Since the outbreak of the Sino-Japanese hostilities, China has lost 70 per cent of her textile investment, including 1,800,000 spindles, and 18,000 looms, entailing a financial loss of $100,000,000, according to *New Economics*, a fortnightly journal published in Chungking

On the other hand, it is stated, despite this terrific blow, the Chinese cotton industry is gradually recovering, and China still retains roughly 40 per cent. of her pre-war cotton industry.

More than 60 Chinese cotton mills, the journal declares, have either been destroyed, or have been seized by the Japanese; or have been mortgaged and sold to third parties. Ten mills have been totally destroyed, 12 badly damaged, 21 slightly damaged, and five, four of which are located in the war areas, have been seized by the Japanese, so that their fate is unknown. Eight have been either sold or mortgaged to foreign firms. The eight mills mortgaged or sold, however, are not considered lost.

Gradual Recovery Seen

The journal stressed the fact that, despite these tremendous setbacks suffered by the cotton industry, a gradual recovery is taking place.

In those territories still controlled by the National Government, 200,000 spindles and 1,000 looms are now working overtime. In the two foreign settlements in Shanghai, it is stated, eight new mills have recently been established, with 80,000 spindles. Three of these mills are now in full operation.

Meanwhile, many new mills have been established near Chungking, and also in Yunnan Province. The Yunnan Cotton Mill, established last August, is increasing the number of its spindles from 10,000 to 30,000, aided by loans from the Bank of China. The Bank, the journal continues, is also financing new mills in Hunan and Shensi Provinces.

When the spindles removed from the war areas are operating once again, and when the new mills, either planned or under construction, are completed, there will be, in the National Government's territories, 500,000 spindles and 5,000 looms.

Together with the Chinese mills in the foreign areas in Tientsin and Shanghai, China will still have over 1,000,000 spindles, or roughly 40 per cent. of her pre-war capacity.

Of the 10,000 industrial cooperatives planned for next year, 3,500 will be textile cooperatives. It is estimated that the consumptive capacity of the National Government's territories will be about 10,000,000 bolts of cloth annually, 3,000 of which will be supplied by these cooperatives within the next 12 months.

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Chekiang Restricts Cotton Cultivation

In order to prevent the export of cotton to Japan, the Chekiang Provincial Government has decided to restrict the cultivation of cotton in the guerrilla areas behind the Japanese lines, *Kuo Mni* reported last week.

In Hangchow, Hanghsien, Haiyen, Haining and Pinghu, the farmers are prohibited from cultivating cotton for export. In Hsiaoshan, Yuyao, Shaoshing and 13 other districts in eastern Chekiang, only a limited amount of cotton may be cultivated.

Any person found guilty of indirectly exporting cotton to Japan will not only have the cotton confiscated but will also be fined a sum five times greater than the value of the cotton exported.

Any person found guilty of directly selling cotton to the Japanese will be sentenced to death or life imprisonment.

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